



VULAMEHLO LOCAL MUNICIPALITY

ANNUAL REPORT 2013/2014



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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

1.1. FOREWORD BY THE MAYOR



In our endeavour towards realising **our vision** which is: “By 2025 Vulamehlo Municipality will be self-sustainable and economically viable with an established vibrant town”, I am pleased to report that during the financial year 2013-2014 we have made substantial progress towards realising our vision.

Our mission statement is “Is to facilitate and co-ordinate the provision of sustainable infrastructure and services, thereby creating an enabling environment that allows the active involvement of the broader community, in order to improve the quality of life of all Vulamehlo residents”

The Vulamehlo Municipality seeks to uphold and promote the values of responsiveness, transparency, accountability, innovation, consultation and service excellence.

This was a year of focused attention on various governance matters within the municipality with various policies being either developed and/or reviewed in our aim to improve governance. This process of concerted attention to policies, systems and procedures was done in an inclusive manner with broad staff and political leadership consultation, with their inputs being considered in the policies, systems and procedures. Although not all the work done was adopted during the year in question, it is in various stages of adoption.

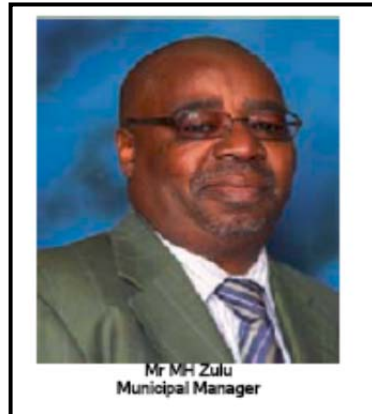
Our key service delivery for this financial year has been rural access roads, of which I am pleased to report we are making substantial progress. I am pleased to report that our public participation continues to be one of our strengths as we implement our annual public participation plan, which includes the Ugu District Municipality in some of the key engagements as we embrace cooperative governance.

For the year 2014/15 we will ensure implementation of the various policies, systems and procedures which were either developed and or reviewed during 2013/14. We will continue to strive towards a clean audit.

Cllr TW Dube: His Worship The Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGERS OVERVIEW



Within the context of various administrative challenges I am pleased to report that 2013-2014 was a year of focused attention on good governance. An assessment was made of our decision-making and oversight function with its related administrative tools. Policies and procedures were reviewed and amended accordingly, whilst we continued to focus on implementing our Integrated Development Plan and Service Delivery and Budget Implementation Plan. We implemented the organisational performance management system which was adopted in the 2012/2013 financial year. We see this as a key element for improving service delivery and good governance and aiming towards achieving our vision.

Our key challenges related to resource limitations with key staff positions becoming vacant, and other financial and resource constraints. We however continued with implementation of our plans despite any resource challenges experienced.

One of our greatest achievements was moving from a disclaimer to a qualified audit opinion.

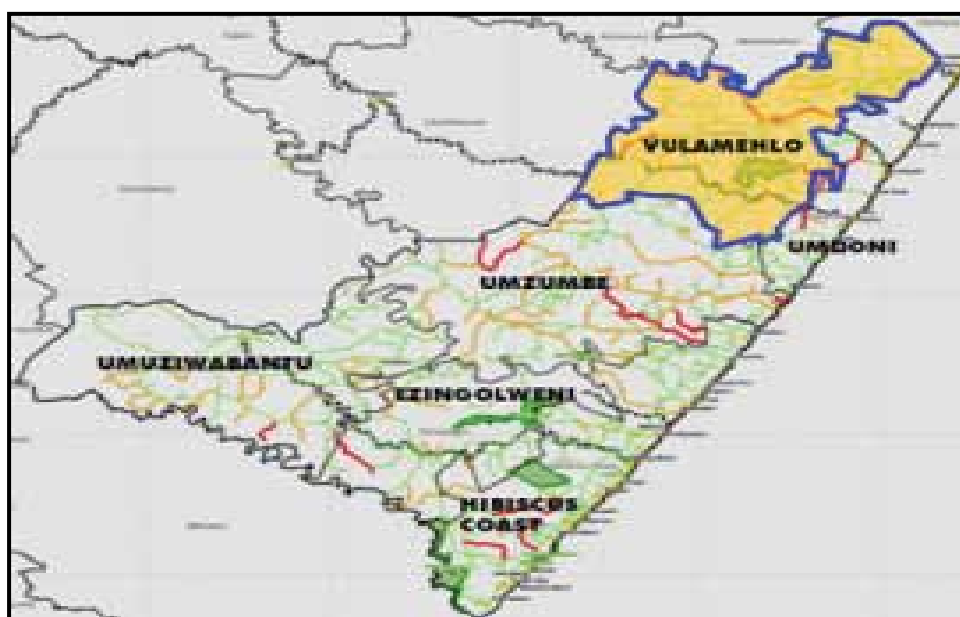
Our greatest challenge moving forward is to address the queries raised by the Auditor General to enable the municipal to achieve a clean audit report. The Municipality received a qualified audit opinion on Capital Commitments and we have developed a plan of action to address the qualification and other matters noted in the audit report. With the co-operation of both Officials and Councillors we look forward to move away from this opinion and claim our position as one of the best performing Municipalities.

Msizi H-Zulu
Municipal Manager

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1. Introduction

Vulamehlo Municipality (KZN 211) forms part of the Ugu District Municipality (DC21). It is located south of the eThekweni municipality and is bordered by Umdoni to the east, Mkhambathini and Richmond to the north and Ubuhlebezwe to the west.



The municipality is characterised by incisive valleys, river systems, hilly and broken terrain. The fragmented and steep topography has limited development in the area and greatly determined settlement patterns. The major river systems within the area are the uMkhomazi, Mpambanyoni and Mthwalume rivers. The other perennial rivers which flow through Vulamehlo include Nungwane, Lovu, Msimbazi, Mzimayi, uMzinto and Mkhumbane Rivers.

The Vulamehlo Municipality comprises of eight traditional areas under the Vulamehlo House of Traditional leadership made up of Izimpethu Zendlovu, Mandleni, KwaLembe, AmaNyuswa, Qiko, Zembeni, Kwa-Cele and Ukuthula. There are, however, three other traditional houses which form part of Umbumbulu Traditional house namely Thoyana, Maphumulo and Isimahla traditional houses also forming part of the Vulamehlo Municipality.

1.2.2. Functions

Sections 156 and 229 of The Constitution of The Republic of South Africa set out the powers and functions of municipalities. Section 83(1) of the Local Government: Municipal Structures Act, Act No. 117 of 1998 further elaborates on the powers and functions of a municipality. Section 83 (2) of the Local Government: Municipal Structures Act qualifies section 83(1) by providing for the division of powers and functions in the case of a district and its family of local municipalities.

The list below sets out the powers that are currently performed at Vulamehlo Municipality:

1. Child Care Facilities: Partially Performed;
2. Municipal Planning: Performed;
3. Electricity Reticulation: Performed Externally (Eskom);
4. Fire Fighting: Shared Service (jointly performed (shared service within the District));
5. Local Tourism: Shared Service (jointly performed within the District);
6. Municipal roads: Performed;

The list below sets out the powers that are currently performed at Ugu District Municipality:

1. Air Pollution: District Function of Environmental Health;
2. Water: District Function;
3. Sanitation: District Function;

The list below details those functions that are not yet performed at Vulamehlo Municipality. There could be a number of reasons why functions are not performed or partially performed. In some cases the powers and functions are not performed due to the lack of resources or because the need has not arisen at any particular stage to fulfil that particular function.

4. Building Regulations: Not Performed as there is no need at present;
5. Trading Regulations : Not Performed as there is no need at present;
6. Billboards & display of advertisements in public places: Not Performed - lack of capacity;
7. Storm Water: Not Performed due to lack of capacity;
8. Cemeteries, Funeral Parlours and Crematoria: Not Performed due to a lack of capacity;
9. Cleansing/Waste Management: Not Performed;
10. Control of public nuisance: Not Performed;
11. Control of undertakings that sell liquor to the public: Not Performed;
12. Facilities for the accommodation, care and burial of animals: Not Performed;
13. Fencing and fences: Not Performed;
14. Licensing of dogs: Not Performed;
15. Licensing and control of undertakings that sell food to the public: Not Performed;
16. Local amenities: Not Performed;
17. Local sports facilities: Not Performed;
18. Markets: Not Performed;
19. Municipal abattoirs: Not Performed;
20. Municipal parks and recreation: Not Performed;
21. Noise pollution: Not Performed;
22. Pounds: Not Performed;
23. Public places: Not Performed;
24. Municipal Airport: Not Performed;

25. Municipal Health services: Health is a provincial function;
26. Municipal Public Transport: Not Performed;
27. Pontoons and Ferries: Not Performed;
28. Beaches and Amusement Parks: Not Performed;
29. Street lighting: Not Performed.
30. Traffic and Parking: Not Performed.

It should be noted that these powers are not absolute, as the Minister of Executive Committee (MEC) for local government may, subject to other provisions of the Local Government: Municipal Structures Act, adjust the division of functions and powers between a district and local municipality by allocating, within a prescribed policy framework, any of those functions and powers vested in the local municipality, to the district municipality or the vice versa.

1.2.3. Population

Vulamehlo Municipality has total population is approximately 77,403, consisting of 16,135 households. 54% of the population is female and 46% is male. These statistics are based on the 2011 Census undertaken by Statistics South Africa. According to Statistics South Africa, Vulamehlo is ranked 138th in South Africa by population size.

In 2011, the Ugu district's population was approximately 722,484 people, accounting for 7% of the population in KwaZulu Natal. The district's average annual population growth rate of 0.3% between 2000 and 2011 has been lower than the provincial average annual growth rate (0.7% per annum).

The district has a fairly young population with 48% being under the age of 19 years old. The population is unevenly distributed throughout the region, as indicated in Table 1 below, with the Hibiscus and Umzumbe municipalities hosting the largest population share. While the population is predominantly rural (86%), the urban coastal zone has the highest population density.

There is a strong perception that young people in the Ugu District aspire to move into metro areas given the limited opportunities for both youth development and entertainment within the district. There is concern that land pressures in rural areas are pushing young people off the land as parcels being allocated are getting smaller and smaller and outsiders move in. This trend could have long-term implications for the district as the young, productive population decreases.

Table 1, below, indicates the population in per municipal area as per the 2001 and the 2011 census

Municipality	Population 2001	Population 2011	% Change 2001 – 2011	% share of Population in per District 2011
Vulamehlo	82 961	77 403	(7%)	11%
Ezingoleni	54 775	52 540	(4%)	7%
Hibiscus Coast	217 824	256 135	15%	35%
Umdoni	62 375	78 875	21%	11%
uMuziwabantu	92 327	96 556	4%	13%
Umzumbe	193 768	160 975	(20%)	22%
Total Ugu District	704 030	722 484	3%	100%

Table 1: Population Breakdown within the District (Source: Statistics SA 2011)

Table 2, below, indicates the racial profile of Vulamehlo with 98.9% of the population being Black African.

Category	2011
Black African	98.9%
Coloured	0.2%
Indian/Asian	0.3%
White	0.2%
Other	0.4%
Total	100.00%

Table 2: Population Groups Data (Source: Statistics SA 2011)

Table 3, below, indicates the gender profile of Vulamehlo

Category	2011
Male	46%
Female	54%
Total	100%

Table 3: Population Groups Data (Source: Statistics SA 2011)

1.2.4. Poverty

Vulamehlo Municipality ranks as the top most deprived area within the KwaZulu Natal province. Within the Ugu District, three local municipalities rank in the top **TEN** of the provinces most deprived areas. (See Table 4) The remaining three local municipalities; Umzumbe, Umdoni, and Hibiscus Coast, were ranked at number 37, 43 and 46 out of a total of 50 local municipalities respectively, demonstrating the strong urban/rural divide within the region.

The KZN Multiple Deprivation Index, released by KZN Treasury in 2011, is based on income levels, employment levels, HIV levels, education, access to services, and crime rates. Each local municipality receives a score for each of the indicators which are totalled in order to derive the deprivation index per LM. 51 local municipalities in KZN were analysed, and then ranked 1 (highest level of deprivation) to 51 (lowest level of deprivation).

Municipality	KZN Multiple Deprivation Index
Vulamehlo Local Municipality	1
Ntambanana Local Municipality	2
Ndwedwe Local Municipality	3
Ezingoleni Local Municipality	4
Msinga Local Municipality	5
Maphumulo Local Municipality	6
Impendle Local Municipality	7
uMuziwabantu Local Municipality	8
Imbabazane Local Municipality	9
Dannhauser Local Municipality	10

Table 4: KZN Deprivation Index – Top 10 (Source: Statistics SA 2011)

1.2.5. Human Settlements

The current patterns of human settlement development within the District correlate with the spatial distribution of need, with human settlements located adjacent to urban areas benefitting from greater access to both opportunities and services. Table 5, below, presents the distribution of different types of human settlements within each local municipalities in the Ugu District.

The majority of urban settlements lie along the coastal belt, with the inland regions being dominated by rural settlements with varying levels of density and accessibility. In total, there are approximately 716 informal households within the district, with over 17,000 limited access rural households. Over 11% of households in the district do not have sufficient access to the road network, public transport, social facilities and economic opportunities.

The Ugu District's estimated housing backlog was **30,867** units in 2010 with a total project start value of R934 million. Addressing the rural housing backlog is further complicated by the typography and distance, resulting in high service and infrastructure costs. A sustainable approach to human settlements is required, with appropriate strategies to address the needs of scattered settlements and the more densely populated rural nodes and corridors.

Besides meeting the existing housing backlog, other needs have been identified, such as: a demand for the provision of decent and affordable social housing to retain skilled labour in the public sector; and the provision of gap-market and middle-income housing opportunities through the formal banking sector. Housing delivery within the district has been slow, given the challenges ranging from the availability of funds for bulk infrastructure, availability of land, delays in the project approval process, issues with implementation agents and beneficiary administration.

Settlement	Vulamehlo	Hibiscus Coast	Umzumbe	uMuziwabantu	Umdoni	Ezingoleni	Ugu	Total HH
Formal urban	0.52%	50.05%	0.08%	10.22%	43.18%	0.00%	24.27%	35,452
Informal Residential upgrade	0.00%	0.49%	0.00%	0.82%	1.69%	0.00%	0.49%	716
Linked Rural upgrade	17.97%	29.45%	28.49%	8.88%	40.45%	29.51%	26.38%	38,537
Good Access Rural upgrade	28.23%	13.32%	25.67%	29.52%	10.78%	46.95%	21.70%	31,537
Limited Access Rural upgrade	14.44%	1.90%	17.83%	34.96%	0.75%	7.96%	11.67%	17,047
Scattered	38.84%	4.78%	27.93%	15.60%	3.15%	15.57%	15.49%	22,631
Total	100%	100%	100%	100%	100%	100%	100%	

Table 5: Percentage of Households by Settlement type and Location (Source: Statistics SA 2011)

During the 2013/2014 financial year the following housing projects were undertaken:

Vulamehlo Rural Housing Planned Projects
Dududu Ward 6 Housing Project
Dududu Ward 8/9/10 Housing Project
Thoyane Rural Housing (Ward 2 & 3)
Vulindlela Rural Housing

Table 6: Housing projects undertaken for the year

1.2.6. Employment and Unemployment

The official unemployment rate of the District is 30% in comparison with the provincial rate of 21.6%. Figure 1 illustrates the percentage of working age, employed (in both the formal and informal sectors), unemployed and not economically active population within the six local municipalities.

The main areas of concern are the significant gap between the percentage of working age population and employment and the large numbers of economically inactive residents, indicating high dependency and despondency levels. This presents a more negative picture of employment within the region than the official unemployment rate. It is unsurprising that the Hibiscus and Umdoni municipalities provide the largest number of formal and informal jobs within the districts economy.

Vulamehlo Municipality has the highest of the 6 local municipalities' unemployment rates. It must be noted that one of the six municipalities are able to provide sufficient jobs for the working age population.

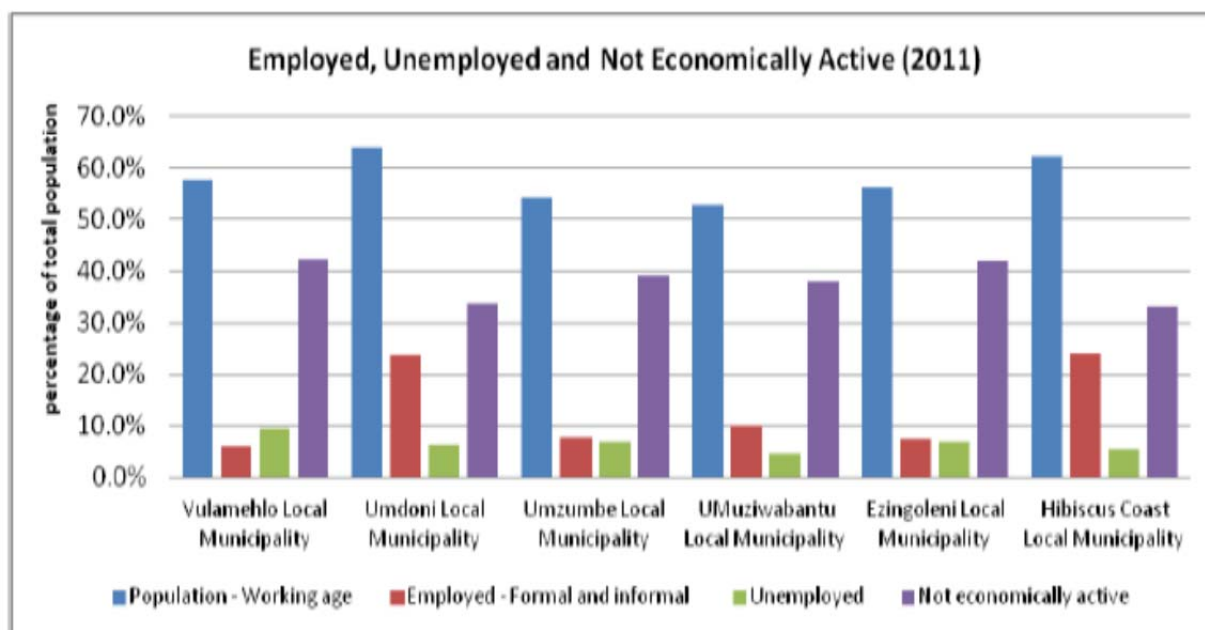


Figure 1: Employed, Unemployed and Not-Economically Active Populations in the Local Municipalities in 2011 as a percentage of total LM population. (Source: Statistics SA 2011)

1.2.7. Socio-Economic Information

Table 7, below, illustrates the municipal age profile for 2011. The total population has lessened since 2001 with more than half of the population being working age and a significant young population.

Category	Percentage 2011	Percentage 2001
Total population	77,403	82,961
Young (0-14)	36.9%	39,8%
Working Age (15-64)	56.9%	56,9%
Elderly (65+)	6.2%	5,8%
Dependency ratio	75.7%	83,7%

Table 7 : Municipal Age Profile (Source: Statistics SA 2011)

Table 8, below, illustrates the percentage of education for over twenty-year olds. There is a relatively high percentage of 24.2% with no formal schooling, although this has decreased since 2001. In addition, the low percentage of those with higher education is noteworthy.

Category	Percentage 2011	Percentage 2001
No schooling aged 20+	24.2%	37%
Higher education aged 20+	2.3%	2%
Matric aged 20+	20.8%	10,3%

Table 8: Education Level Over 20's. (Source: Statistics SA 2011)

Table 9, below, indicates the unemployment rate of 52.6%, which has decreased since 2001 but is still considered high.

Category	Percentage 2011	Percentage 2001
Unemployment Rate	52,6%	66,1%
Youth Unemployment Rate	62,8%	74,6%

Table 9: Unemployment Rates. (Source: Statistics SA 2011)

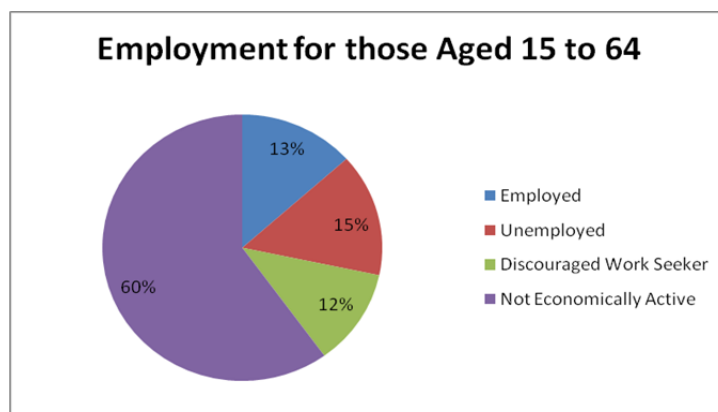


Figure 2: Employment for those Aged 15 to 64. (Source: Statistics SA 2011)

Table 10, below, indicates the status of households, household size, female headed households, formal dwellings and housing owned and/or paying off. To note is that more than half the households are female-headed and less than half are in formal dwellings.

Category	Percentage 2011	Percentage 2001
Number of Households	16,135	15,794
Average household size	4,7	4,9
Female headed households	55,3%	54,9%
Formal dwellings	30,5%	30,3%
Housing owned/paying off	63,4%	59,4%

Table 10: Households and Housing Status. (Source: Statistics SA 2011)

Figure 3 illustrates average household income and to note is the high percentage with no income and the relatively low income earning status of the area.

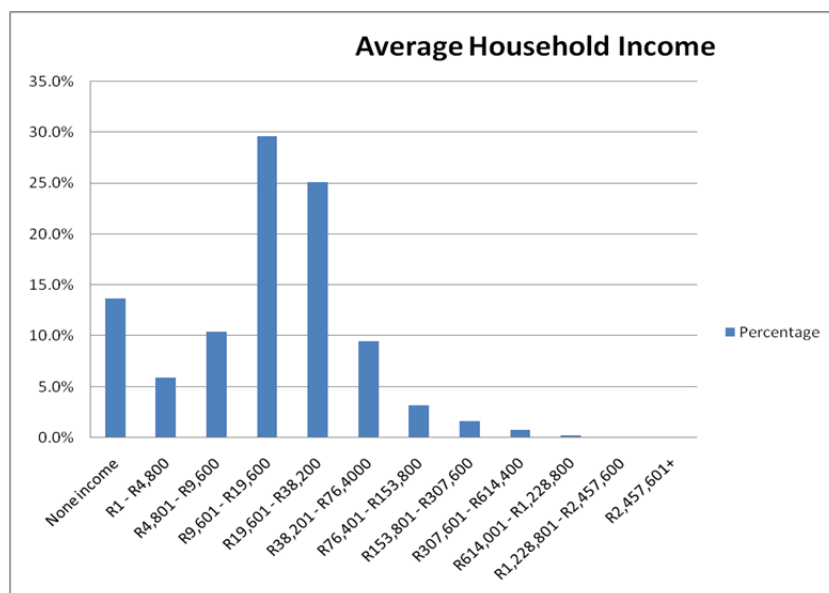


Figure 3: Average Household Income. (Source: Statistics SA 2011)

1.2.8. Natural resources

Land potential

A number of sources of information, many of which can be represented graphically, have been assessed in order to assess the potential of Vulamehlo Municipality for agricultural purposes. Land potential is seen to be the potential of land for agricultural purposes. A range of issues have been investigated in terms of the impact that they potentially have on agriculture. These factors range from soil and climate, to man-made infrastructure. Factors such as the conservation plan for KwaZulu-Natal (prepared by EZemvelo KZN Wildlife), that are also likely to impact on the type of development that can take place, have also been considered.

Vegetation

The natural vegetation that exists in an area is generally reflective of the soils, terrain and climate of that area. The KZNDAEA Bioresource Programme classifies the province into vegetation types known as Bioresource groups. The Bioresource Groups (and predominant vegetation types) found in Vulamehlo are:

- Moist Coastal Forest, Thorn Palm Veld (BRG1) - primarily bushed grassland/bush land
- Moist Coast Hinterland Ngongoni Veld (BRG3) - primarily grassland / bushed grassland
- Valley Bushveld (BRG 21) - primarily bush land thicket and bush land, and, to a much lesser extent,
- Coast Hinterland Thornveld (BRG 17) - primarily bush clumped grassland and bush land thicket).

Natural vegetation is particularly important for livestock-based enterprises that rely on natural grazing. Grazing capacity is a measure of the amount of land required for an animal. Within Vulamehlo, grazing capacity ranges from 2.5 hectares per animal unit to 5.4 hectares per animal unit (an animal unit being defined as a 450kg steer). A number of additional comments can be made regarding natural vegetation within Vulamehlo:

- Within the privately owned parts of Vulamehlo most of the natural vegetation has been replaced by cane and timber
- The Valley Bushveld is encountered in the drier, western areas that are also characterised by very broken terrain. It has low grazing capacity and may offer more opportunities for agro-tourism than conventional livestock production.

Rivers

Rivers are an important resource for agricultural development, providing a source of water for irrigation. This is particularly important during the drier winter months. A number of perennial rivers flow through Vulamehlo Municipality, including: Nungwane, Lovu, Msimbazi, Mkomazi, Mpambanyoni, Mzimayi, Umzinto, Mkhumbane and Mtwalume.

The development of irrigation projects along perennial rivers is seen as an important means of achieving agricultural development with the Municipality. According to DWAF, the construction of off-channel dams that store excess water during high flow periods should be considered. This is particularly important for rivers where there is already substantial water use occurring as extraction of water during low flow periods may not be permitted.

The possibility of using water harvesting techniques instead of conventional irrigation methods for irrigating smaller projects and household production should also be considered. According to the training material prepared by the Food and Agriculture Organisation (FAO), there are four types of water harvesting techniques:

- Rooftop
- Micro catchment
- Macro catchment (medium-sized catchment)
- Floodwater harvesting.

Rooftop harvesting techniques are normally used for household production and water is normally stored in tanks for subsequent use. With micro catchment water harvesting, the catchment (normally 1 – 1000m² in extent) is located adjacent to the arable area and runoff is captured and stored in the soil (in

the root zone). This method is suitable for annual crops and trees. The ratio of catchment area to arable land generally ranges from 1:1 to 10:1.

Macro catchment water harvesting takes place on a larger scale and the catchment is normally not directly adjacent to the arable area. Run-off is still stored mainly in the soil, but construction of bunds allows for some overflow from the arable area. The ratio of catchment to arable land area ranges from 10:1 to 100:1 and bunds / channels catch water and feed it into arable land while bunds at the bottom of the arable land contain water allowing for infiltration into the soil and overflow of the excess. The largest form of water harvesting is known as floodwater harvesting. This may involve the construction of a number of dams and ponds to capture turbulent channel flow from major rivers. This method reduces damage caused by flash floods and replenishes groundwater.

Conservation and biodiversity issues

According to the output from C-Plan, a conservation plan for the province that is managed by EZemvelo KZN Wildlife, a number of irreplaceable sites have been identified in the North Eastern parts of the Municipality. A number of other sites with relatively high irreplaceability ratings, that are important for conserving biodiversity, are located in the South East. Agricultural development that takes place in areas that have a high conservation status should be compatible with the endangered species that are located there. Applications made to KZNDAEA for changes in land use, or the ploughing of virgin land are unlikely to be authorized if they fall into areas rated as totally irreplaceable (mandatory reserves).

1.2.9. Tourism

The coastal strip forms part of the KwaZulu-Natal South Coast which is a popular domestic tourist destination. Nearby, Scottburgh and Pennington both offer resort facilities, and are affluent in comparison with the underdeveloped rural areas of Vulamehlo.

Tourism development projects include the development of a market for traditional rural arts and crafts, and of "traditional rural lifestyle cultural tours. A further aim is establish diverse initiatives through four anchor projects at Tshehlope, the Isintu Cultural Village, and community involvement in operating Vernon Crookes Nature Reserve. A short distance from Dududu, standing sentry over the expansive Umkomaas Valley, is the imposing Execution Rock, a distinctive natural feature shrouded in myth and legend. A climb to the plateau is rewarded with spectacular views into the Umkomaas valley and an opportunity to spare a thought for the Zulu warriors who were said to be despatched from the rock promontory for errant behaviour

Historical and Other Places of Interest;

- Vernon Crookes Nature Reserve
- Enqushini waterfall
- Scenic forest and river areas

Further to the above the following opportunities were identified:

- Development and extension of the P77 corridor - Scottburgh-Dududu-Kenteron
- Natural scenery
- Availability of land and rivers for agricultural, sand winning purposes and water provisions
- Retail opportunities and lower to middle income accommodation in some of the nodal areas
- Close proximity to markets - Durban, Port Shepstone, Scottburgh, uBuhlebezwe
- Vast tracts of rich land to produce bulk organic agricultural products
- Cultural heritage

1.3. SERVICE DELIVERY OVERVIEW

1.3.1 Introduction

Basic services are a package of services necessary for human well-being and typically include water, sanitation, and electricity and refuse removal. Basic level services to households are defined as an electricity connection at the dwelling, a public standpipe for water within 200m of the dwelling, and a ventilated pit latrine (VIP) for sanitation. National policy also requires that poor households should receive 50kWh of free basic electricity, 6 kl of free basic water and free weekly refuse removal.

The table below details the service backlogs for Vulamhelo Municipality.

Category	Percentage 2011	Percentage 2001
Flush toilet connected to sewerage	2,8%	6%
Weekly refuse removal	1,7%	3,9%
Piped water inside dwelling	5,6%	2,2%
Electricity for lighting	36,9%	23,7%

Table 11: Service Backlogs. (Source: Statistics SA 2011)

Access to these basic services is critical for the development and improvement of people's lives within the Vulamehlo Local Municipality.

The municipality has developed a housing development plan (HDP). In terms of the HDP, there is a considerable backlog of housing units. This plan is a legal requirement and is provided for in terms of the revised procedures established in Chapter 3 of part 3 of the National Housing Code. The housing plan is therefore a critical component of the IDP and must be reviewed annually together with the IDP. The overall objective of the housing sector plan is to assist the municipality to provide housing to all communities within its area of jurisdiction.

Through the process of housing provision, the municipality also seeks to create employment opportunities and to link the process with other LED initiatives.

The bulk of the population is spread across the municipal area with a few isolated more densely populated areas normally in the vicinity of shops, government departments etc. The only significant development in terms of refuse collection over the next few years is the formalisation of the Dududu Village. There is no record of current waste volumes and /or its characteristic. The municipality has no landfill site and waste is either disposed of in formal pits and heaps many of which are burnt by residents.

To determine the potential volume of waste from the municipality, the waste generation rate of 0,1kg/per person is used. Based on the latter rate, the estimated daily volume of waste generated in Vulamehlo is approximately 8, 4 tonnes for domestic households. As has been noted previously these households are spread throughout the area in rural settings. If the daily volume for the formal and the informal house is increased to 0.5 kl/person the additional mass of waste is 10,6 tonnes.

Generally, the Municipality has a poor road network system and this problem has been identified during the SDF review. This situation is as a result of the broken topography that characterises the municipal landscape as well as the dispersed settlement patterns. The current situation has had a negative impact in terms of stagnating economic development and delivery of basic services.

As an interim measure to address the persisting problem the municipality identified rural roads upgrade as one of the key priorities. To this end, the municipality obtained funding to acquire a Tractor Loader Backhoe (TLB) & Grader to upgrade access roads.

Additional funding for re-gravelling and stormwater construction has also been approved. This will go a long way in terms of ensuring that the lifespan of the upgraded access roads is prolonged. The key priority infrastructure projects for the period of the annual report have been rural access roads.

1.3.2 Water

Ugu has come up with a strategy which seeks to integrate the isolated individual water schemes and provide for investment in more reliable water sources that will be more cost effective in addressing backlogs, meeting the demand due to urban development growth and mitigating the effect of drought.

The construction of the South Coast pipeline has been completed up to Scottburgh. The northern part of the district is the most drought prone area and the water transfer project from Inanda Dam into the Ugu District is an innovative intervention implemented in partnership with Umgeni Water and eThekweni Municipality (R200million investment). The strategy also seeks to see the construction of three dams, the Weza, Mhlabashane and Cwabeneni storage dams. Upgrading of the existing water schemes towards this goal are underway for the Umtamvuna water scheme and augmentation of Umzimkhulu Scheme (incorporating Bhobhoyi water works). Respectively R66m and R250m will be invested in these projects.

The municipality facilitated the delivery of water twice a week during the financial year.

1.3.3 Vulamehlo Water Supply Zone

The Vulamehlo supply zone is supplied by the Vulamehlo waterworks and currently supplies the Kenterton, KwaNyuswa, Emandleni and Izimpethu, Zendlovu (south of the Mpambanyoni River) areas of the Vulamehlo tribal Authority, as well as communities in the adjacent Sisonke District Municipality. The scheme will be extended to also supply Braemar and Amahlatini to the East, as well as Nyavini and further areas within Vulamehlo (Emandleni, Izimpethu Zendlovu) to the South.

Vulamehlo Cross Border Scheme

The Department of Water Affairs (DWA) has recommended the development of the Vulamehlo Cross Border Water Supply Scheme, which will serve cross border communities in **Sisonke District (Ubuhlebezwe Municipality)** and **Ugu Districts (Vulamehlo and Umzumbe Municipalities)**. On completion, it is expected that the project will guarantee a water supply to 24,000 households.

The engineering solution will include the construction of:

- Raw water storage facilities, in the form of a dam with an estimated capacity of 3,500,000m³
- Upgrade the existing water treatment plant from 1,800m³/day to 10,000m³/day
- Reticulation and bulk water conveying infrastructure

- Phased construction is expected to commence around July 2014, subject to obtaining the necessary approvals.

1.3.4 Access to water services within Vulamehlo Municipality

The table below details the water services within Vulamehlo

Settlement Category	Serviced RDP	Serviced <RDP	Not Serviced	Total No of People
Vulamehlo Municipality	20,764	23,740	31,527	76,032

Table 12: Water services

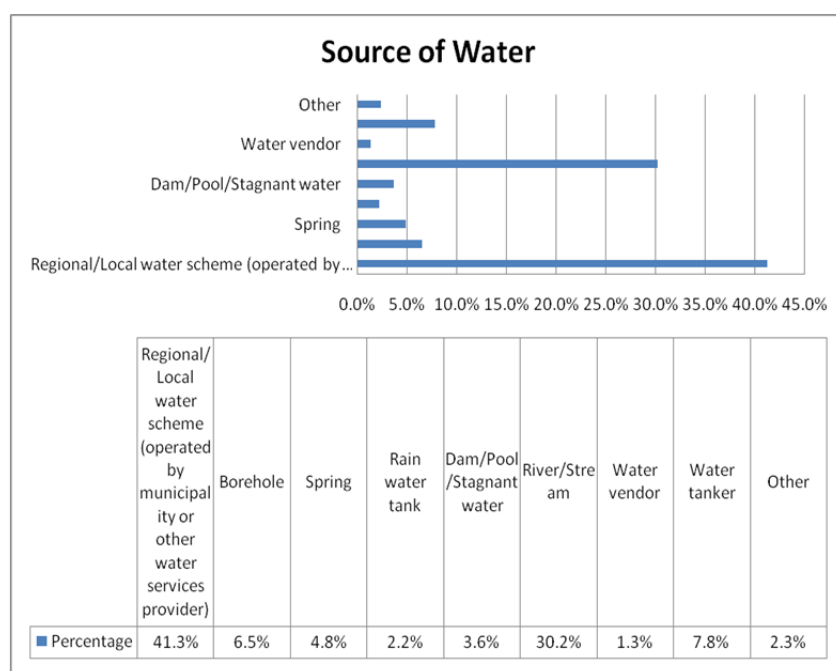


Figure 4: Sources of Water: (Source Statistics SA 2011)

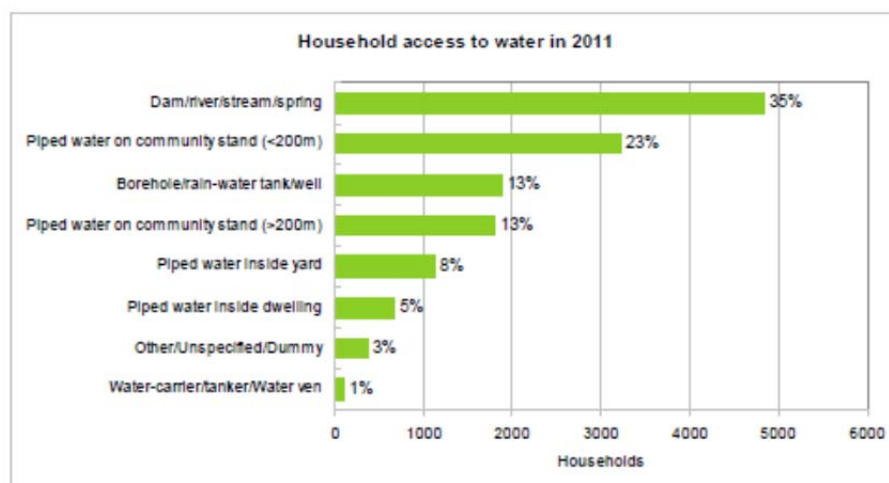


Figure 5: Household Access to Water. (Source: Statistics SA 2011)

41% of water schemes within Vulamehlo are operated by Water Services Providers and 30% of water is collected from Rivers and streams.

In terms of household access to water, the majority access is from dams, springs and streams and only 13% of household have access to water being served through piped infrastructure. Water and Sanitation services backlogs within the District are at 54.4%

1.3.5 Sanitation

The second draft of the Water Services Development Plan (**WSDP which can also be considered as Water and Sanitation Master Plan**) which was last reviewed in 2010 encompasses amongst others, water, sanitation and infrastructure backlog studies, waste water treatment studies, bulk infrastructure development studies which was completed in 2005. Additional funding is required to eradicate the water and sanitation backlog etc. Ugu District Municipality is responsible for the provision of sanitation to households

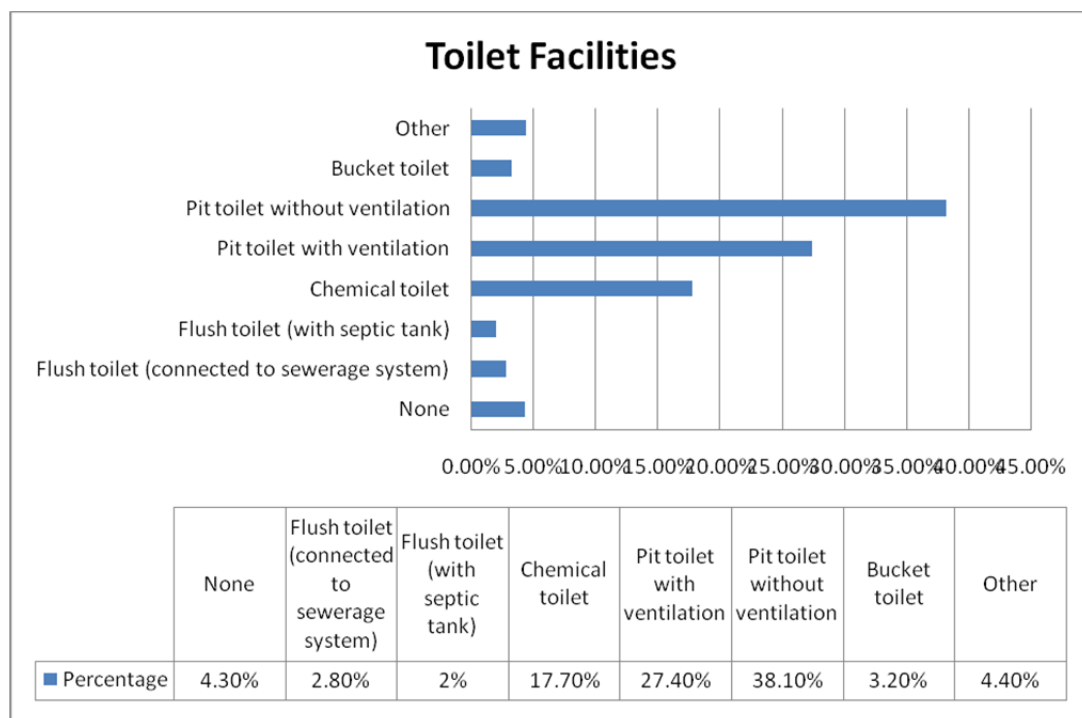


Figure 6: Toilet Facilities (Source: Statistics SA 2011)

The majority of toilets that are being used within Vulamehlo are the pit toilet systems, with 27% being with ventilation and 38% being without ventilation. Only 2% of Vulamehlo is being serviced through the sewage systems.

1.3.6 Electricity

The municipality is divided into three networks or streams for the purpose of providing electricity namely, Kenterton, Dududu and Umbumbulu. The Kenterton network or stream is served by ESKOM – Pietermaritzburg, Umkondeni. The Dududu network or stream is served by ESKOM – Shelly Beach. The Umbumbulu network or stream is served by eThekweni.

The current electricity backlog as per statistics supplied by Eskom for Vulamehlo is 71%, which is the highest backlog in the Ugu District. With regard to ESKOM areas, the municipality is experiencing capacity constraints and a lot of illegal connections (izinyoka). Backlogs are attributed to lack of bulk infrastructure, there is no spare capacity to accommodate further developments or new connections. Vulamehlo people are using candles as a source of energy for lighting, whilst more people use wood as a source of energy for heating and as a source for cooking. Department of Energy (DoE) is responsible for the funding all prepaid electrification which is mainly in Eskom rural areas of supply. Therefore Eskom as the delivery agent of DoE is responsible for the electricity delivery based on the annual MTEF allocations through the gazetting processes. During the year the following projects were either completed or just commenced.

Projects name	Ward	Comments
Kwa-Rwayi	1	100% complete
Mathongwana	4	100% complete
Mahwaqa	6	100% complete
Khakhama / Ntontonto and Mahlabathini	7	Implementing Agent has now appointed surveyor to conduct a detail survey
Dlangezwa / Mjunundwini	4 & 6	Implementing Agent has commenced with pre marketing

Table 13: Electricity Connections

1.3.7 Refuse removal

The bulk of the population is spread across the municipal area with a few isolated more densely populated areas normally in the vicinity of shops, government departments etc. The only significant development envisaged over the next few years is the formalisation of the Dududu Village. There is no record of current waste volumes and /or its characteristic. The municipality has no landfill site and waste is either disposed of in formal pits and heaps many of which are burnt by the residents themselves. To determine the potential volume of waste from the municipality, the waste generation rate of 0,1kg/per person is used. Based on the latter rate, the estimated daily volume of waste generated in Vulamehlo is approximately 8, 4 tonnes for domestic households. As has been noted previously these households are spread throughout the area in rural settings. If the daily volume for the formal and the informal house is increased to 0.5 kl/person the additional mass of waste is 10,6 tonnes.

Therefore based on the above estimated daily mass of waste generated in the municipality is 24 tonnes. The relatively small amount of medical waste generated is removed from the area and disposed of elsewhere.

Except for a small percentage which is moved off site and disposed of at the regional landfill, the waste is disposed of on-site by burning. The relatively small amount of medical waste generated, is removed from the area and disposed of elsewhere.

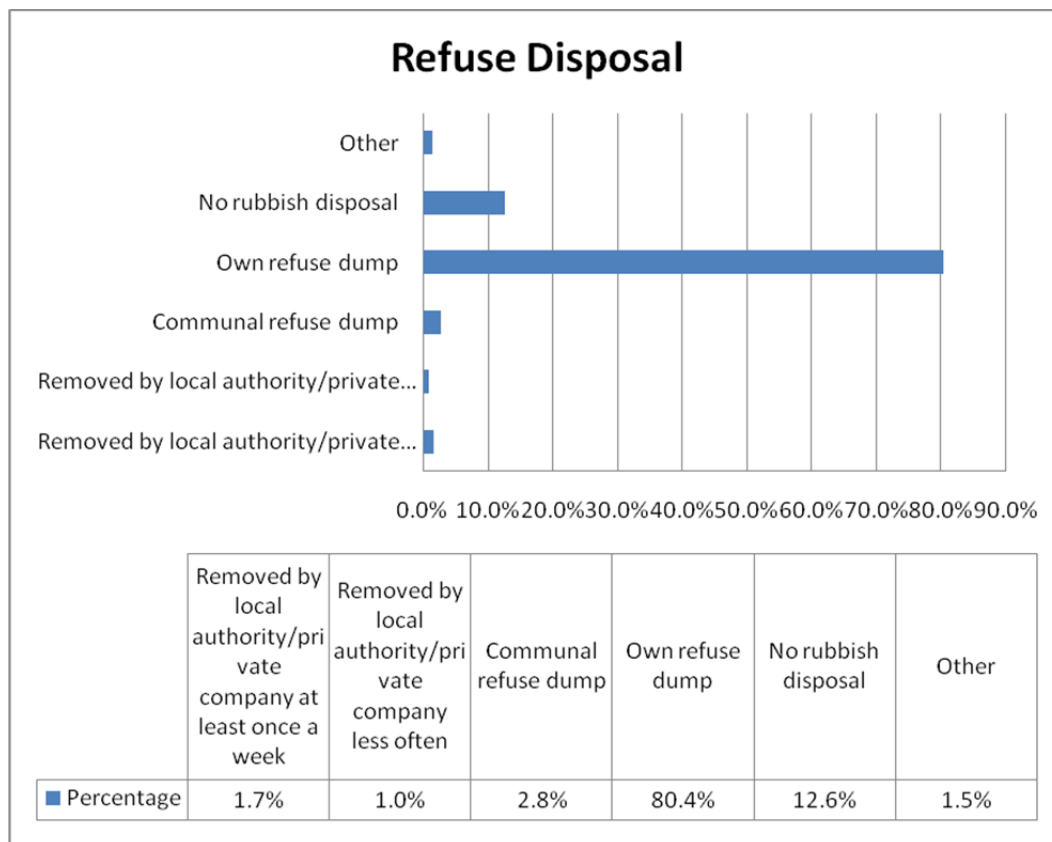


Figure 7: Refuse Disposal (Source: Statistics SA 2011)

1.3.8 Housing

The Bill of Rights in the Constitution provides that everyone has a right to adequate housing and shelter. The qualification to this clause, however, is set out in the Constitution and states that the state must strive towards the progressive realisation of this right depending on the available resources. The municipality has developed a housing development plan (HDP). In terms of the HDP, there is a backlog of 15 586 housing units to be built within the next five years. The following listed below are the current housing projects:

Housing Planned Projects for the 2013 2014 financial year	No. of houses completed	Type of houses built
Ward 8,9 Phase 1	1500	Rural housing schemes
Ward 10 Phase 2	Planning stage – 500	Rural housing schemes
Vulindlela	638	Rural housing schemes
Ward 5&7	Planning stage	
Thoyane	Planning stage	

Table 14: Vulamehlo Rural Housing Planned Projects

This plan is a legal requirement and is provided for in terms of the revised procedures established in Chapter 3 of part 3 of the National Housing Code. The housing plan is therefore a critical component of the IDP and must be reviewed annually together with the IDP. The overall objective of the housing sector plan is to assist the municipality to provide housing to all communities within its area of jurisdiction. Through the process of housing provision, the municipality also seeks to create employment opportunities and to link the process with other LED initiatives. The housing plan is based on projected Vulamehlo population. 3 000 houses were completed in 2013 and 2138 completed in 2014, which then reduced the backlog to 10 448 housing units. In determining housing needs, current and completed housing projects were also taken into account. Ward by ward housing needs projections is based on an average of six people per household divided by the total population to give the total number of households. The housing projects that have been identified in the housing sector plan. In the implementation of the housing plan, the municipality will have to work in collaboration with various tiers of government so that in the process of housing provision, the communities are assisted in gaining access to water, education, health care services and social security. The spatial component of the housing development plan is critical and this is one of the gaps that have been identified with the current housing sector plan.

1.3.9 Solid Waste

The municipality is still faced with a challenge with regards to solid waste due to capacity constraints.

The backlogs and statistics of solid waste are defined as follows:

- Defined according to settlement density as opposed to settlement type
- Low density: less than 10 dwellings per hectare:
- On-site disposal in areas designated by municipality and under supervision of the designated Waste Management Officer
- Medium density: 10 – 40 dwellings per hectare:
- Communal collection and formal disposal of household refuse and litter is required
- High density: > 40 dwellings per hectare:

Frequent and reliable formal collection and disposal of solid waste to a landfill (in Umdoni Municipality) is required, and Umdoni has agreed to enable its landfill to be utilised. However, this service is not yet implemented as solid waste is put in pits and/or burnt by residents currently.

1.3.10 Municipal Roads and Transportation

Generally, the Municipality has a poor road network system and this problem has been identified during the recent SDF review. This situation is as a result of the broken topography that characterises the municipal landscape as well as the dispersed settlement patterns. The current situation has had a negative impact in terms of stagnating economic development and delivery of basic services. The municipality uses its own funds to maintain its roads, and for 2013-2014 financial year this was identified as a service delivery priority. During the year a total of 7 gravels roads were prioritised. The following roads were completed, namely Bhewula, Mistake Farm, Ophondweni Lower Level Bridge, Banana and mgengeni access road.

Note: The gravelling of Diki and Matsheketshe i roads has been delayed due to the forensic audits on these contractors.

The following outlines the achievements for the construction of gravel roads:

Project Name	Target 2012/13	Actual 2012/13	Target 2013/14	Actual 2013/14
Bhewula Road	2,1km	1,8km	300m	300m
Ophondweni Road	4km	3,2km	800m	800m
Mistake Farm Road	Nil	Nil	Nil	1,4km
Banana	1.4km	1.4km	Nil	Nil
Mgangeni	1.5km	1.5km	Nil	Nil

Table 15: Construction of roads

1.3.11 Integrated Transport Plan (ITP)

Vulamehlo Municipality does not have an Integrated Transport Plan but has been incorporated in the Ugu's Integrated Transport Plan.

1.3.12 Access to basic services

Amongst others, some of the issues faced by Vulamehlo Municipality are as follows;

- High levels of poverty.
- Backlog of basic services.
- Low skills base due to inadequate levels of education and training.
- Low levels of employment.
- Limited and irregular household incomes.
- Employment centres located at some distance from the municipality.
- Poor physical and social infrastructure due to the dispersed, low-density settlement patterns of the area.

All of the above challenges are directly related to the provision of basic services and are amongst the barriers to achieving service delivery within the Municipality area.

1.4. FINANCIAL HEALTH OVERVIEW

Financial Overview: 2013/2014			
Details	Original Budget	Adjusted budget	Actual
Income			
Grants	65,167,000	65,167,000	66,853,649
Taxes, Levies and Tariffs	2,243,890	2,243,890	2,236,507
Other	1,731,001	5,268,001	1,252,004
Total Income	69,141,891	72,678,891	70,342,160
Less: Expenditure	(59,282,000)	(62,461,392)	(61,800,252)
Net: surplus (deficit)	9,859,891	10,217,477	8,541,908

Table 16: Financial Overview

Operating Ratios	
Detail	%
Employee Cost	25%
Repairs and Maintenance	1%
Finance Charges & Impairment	0.5%

Table 17: Operating Ratios

1.4.1 Operating ratios

Employee Costs' – approximate benchmark 30% to total operating cost

The Municipality incurred employee costs totalling R15,355,388 in comparison to the approved budget of R16,197,565. The actual in comparison to the total operating expenditure (Actual), and budgeted Operating Expenditure equated to approximately 25%. Municipality was within the estimated budget and actual, in terms of norms and thresholds.

Repairs and maintenance - approximate benchmark 20% to total operating cost

The Municipality incurred repairs and maintenance totalling R638,584 in comparison to the approved budget of R782,251. The actual in comparison to the total operating expenditure (Actual), and budgeted Operating Expenditure equated to approximately 1%. The Municipality was within the estimated budget and actual, in terms of norms and thresholds.

Finance Charges and Impairment: approximate benchmark 10% to total operating cost

The Municipality incurred finance charges and impairment costs totalling R 299 429 in comparison to the approved budget of R445 472. The actual in comparison to the total operating expenditure (Actual), and budgeted Operating Expenditure equated to approximately 0.6%. The Municipality was within the estimated budget and actuals, in terms of norms and thresholds.

Total Capital Expenditure – 2011/2012 to 2013/2014			
Detail	2011/2012	2012/2013	2013/2014
Original Budget	725,065	16 408 000	22 536 000
Adjustment Budget	19,917,721	23 938 445	31 914 000
Actual	16 633 109	13,846,565	19 525 641

Table 18: Total Capital Expenditure – Year 2011/2012 to 2013/2014 (require table data)

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

1.5.1 Introduction

Vulamehlo Local Municipality has prepared a consolidated Annual Performance Report which is used as a tool to monitor how well the Municipality is doing in providing its services and against its Corporate Plan. It also monitors whether there have been improvements and highlights areas of underperformance which need further investigation.

The 2013/14 Annual Performance Report shows that Vulamehlo Municipality achieved 77% of its performance targets for the year. This was measured through the Organisational Performance Management System performance indicators set, and are elaborated in the Annual Performance Report 2013/2014.

Managing municipal finances involves both a strategic and operational component. Strategically, the finances must be managed to accommodate fluctuations in the economy and the resulting changes in costs and revenues. Operationally, the municipality must put in place clear financial goals, policies, and tools to implement its strategic plan.

It must be noted that not all municipalities are the same and this should be kept in mind when assessing the financial health of, and the setting of benchmarks for a municipality. A municipality can be categorised into either:

- Developed – maintenance; or
- Developing – growing.

Vulamehlo Municipality can be categorised as a developing – growing municipality. Such municipalities require significant additional resources and funding to conduct the growth that is expected of them. In contrast, already developed – maintenance municipalities are mainly concerned with the need to maintain existing infrastructure.

With the demands for growth, come risks that need to be managed. Wherever possible, the Municipality will set benchmarks appropriate for a developing – growing municipality and strive to achieve these benchmarks within the medium to long term.

The priority from the financial perspective is the viability and sustainability of the Municipality. The financial plan and related strategies will need to address a number of key areas in order to achieve this goal.

1.5.2 How will progress be measured?

The progress and performance will be measured through the Performance Management System (PMS). The Department of Cooperative Governance and Traditional Affairs (COGTA) defines performance management as, 'a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact.' This system will therefore ensure that all leaders, managers and individuals in the municipality are held accountable for their actions, which should bring about improved service delivery and value for money. The scorecards for all section 57 employees with KPIs and performance targets were developed. Vulamehlo Municipality adopted its reviewed OPMS Framework which includes a Policy, Procedures and Templates in June 2013.

1.5.3 Purpose of the Performance Management System

The PMS serves to inform Exco members and other stakeholders of the progress made on the implementation of the Municipality's service delivery budget and implementation plan (SDBIP) and the organisational scorecard as well as an update on budget spending. Furthermore it aims at identifying the challenges and therefore come up with solutions to address them

The analysis of the municipal performance report is aimed at evaluating the quality of the actual results delivered by programmes in the attainment of the departmental strategic objectives.

Lastly, an analysis of performance for all programmes is assessed and possible recommendations and suggestions provided to contribute towards service delivery improvement.

1.5.4 Focus of the PMS

The performance management system focuses on the following:

- Individual employees;
- Group and unit of specific section of the department;
- Linking the OPMS and Individual PMS
- The entire section of the department;
- The department itself – through the Head of Department; and
- The entire organization
- Auditing Performance Management

Auditing performance measurements is a key element of the monitoring and evaluation process. Auditing of performance measures is concerned with the extent to which the municipality was able to achieve the reported performance measures and targets that it set for itself and also to assess the extent of its compliance in respect of the development and implementation of the PMS.

1.6. AUDITOR GENERAL REPORT

Refer to appendix T for the Report of the Auditor General for the 2013/2014 financial year.

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Vulamehlo Municipality consists of 15 Councillors which form part of the Vulamehlo Council. The Executive Committee (EXCO) in the municipality reports directly to Council. In terms of Section 12 of the Local Government: Municipal Systems Act, 4 Portfolio Committees have been established reporting directly to EXCO. The chairperson for each Portfolio Committee is nominated by Council. Each Portfolio Committee has its own terms reference; which includes oversight functions and recommending decisions to EXCO, none have delegated authority. The Portfolio Committees deliberate issues and make recommendations to EXCO to take decisions, if EXCO is delegated to take decisions, and/or to consider when recommending to Council to take decisions. The Council and EXCO meet monthly. The 4 Portfolio Committees are Finance, Budget, and Monitoring Committee (FBM), the LED Committee, the Infrastructure and Planning Committee and the Corporate Services Committee.

In terms of section 166 of the MFMA, the Audit Committee exists within Council. MPAC adopts the responsibilities of the Oversight Committee by reviewing the Auditor-General's annual report and on own initiative or council instruction investigates and advises council of unauthorised, irregular, fruitless and/or wasteful expenditure in terms of section 32(2) of the MFMA.

The Audit Committee and MPAC work in close co-operation and MPAC reports to Council at least quarterly. The Oversight Report is published separately in accordance with MFMA guidance.

2.1. POLITICAL GOVERNANCE

2.1.1. Introduction to political governance

The MFMA, section 52 (a) states that: the Mayor must provide general political guidance over the fiscal and financial affairs of the municipality. Adequate provision is made in the system of delegations and sub-delegations to ensure the effective, efficient and accountable functioning of Council, the Political Executive of Council, and the Municipal Manager as Chief Accounting Officer as well as the General Managers as executors of policy and service delivery. The office of the Speaker who is responsible to ensure smooth functioning of Council and its committees underpins the functioning of Council.



Cllr. D. Hlengwa
Speaker

Executive Committee Members



Cllr W.T. Dube
Mayor



Cllr N. Mpanza
Deputy Mayor



Cllr B.C. Mqadi
Exco Member



Cllr MD Ncwane
Exco Member

Figure 8: Executive Committee

			
Cllr L L Kweyamai Ward 1	Cllr P Dlamini Ward 2	Cllr A B Ndlovu Ward 3	Cllr F B Shezi Ward 4
			
Cllr M A Ntombela Ward 5	Cllr B C Mngadi Ward 6	Cllr Z Hlongwa Ward 7	Cllr G Z Jwara Ward 8
			
Cllr C Ngobo Ward 9	Cllr C MD Ncwane Ward 10	Cllr T P Phetha PR Councillor	Cllr D P Duma PR Councillor
			
Cllr NR Dlamini PR Councillor	Cllr A S Mchunu PR Councillor	Cllr B G Myeza PR Councillor	

Figure 9: Councillors

2.1.2. Political decision-taking

Political decisions are guided by the governance model consisting of:

- Section 79 committees recommend matters directly to council for approval.
- Section 80 committees, which are advisory committees to the Mayor, who has been delegated certain decision-making powers. The Mayor can either note matters and report such to council, or resolve on matters and report to council or to recommend matters to council for approval.

2.2. ADMINISTRATIVE GOVERNANCE

2.2.1. Introduction to administrative governance

Vulamehlo Municipality has four departments; each department is headed by the General Manager who reports directly to the Municipal Manager. The Municipal Manager reports directly to EXCO via the Mayor who is the chairperson of the Executive Committee. The Municipal Manager is assisted by the Internal Auditor in meeting his accountability requirements in terms of the Municipal Finance Management Act and other pieces of legislation.

2.2.2. Top administrative structure

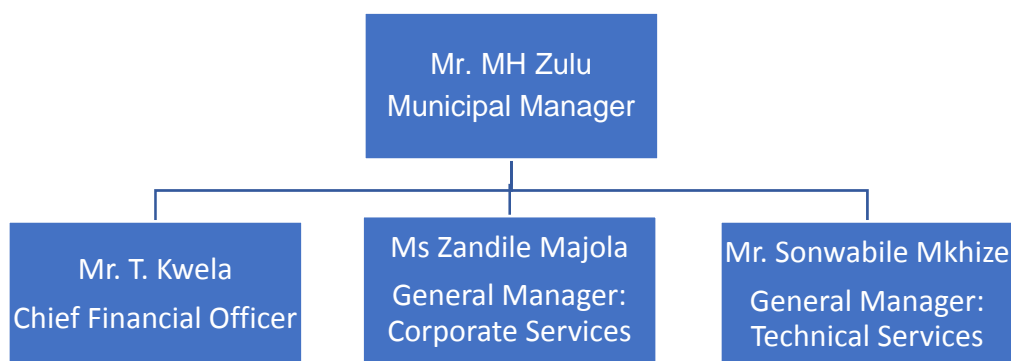


Figure 10: Senior Management

2.2.3. Functions assigned to departments

Department	Functions
Office of the Municipal Manager	Local Economic Development
	Town Planning
	Integrated Development Plan/ Performance Management System
	Strategic Planning
	Internal Audit
Department of Technical Services	Infrastructure Planning & Development
	Management of M.I.G. funding
	Capital Budget relating to Roads and drainage
	General Maintenance of Buildings
Department of Corporate Services	Human Resource Management
	Communications
	I.T
	Administration
	Special Programmes
	Public Participation
Department of Financial Services	Expenditure Control
	Income Control
	Supply Chain Management
	Budgeting and Reporting

Table 19: Functions by component

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3. INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Cooperative governance means that the three spheres of government should work together (cooperate) to provide citizens with a comprehensive package of services. The Constitution states that the three spheres have to assist and support each other, share information and coordinate their efforts.

Implementation of policies and government programmes require close cooperation between the spheres of government, especially at the Executive level.

Local government is represented in the National Council of the Provinces and other important institutions like the Financial and Fiscal Commission (FFC). The FFC is an independent body that is set up under the Constitution to advise government on the portion of revenue that should go to provincial and local government to subsidise services for poor people (the equitable share).

The Division of Revenue Act (DORA) lays down how the total government income (revenue) should be divided and allocated between the spheres of government and within government. Local government is also represented on the Budget Council where the Minister of Finance discusses the proposed budget with provincial and local government.

The South African Local Government Association (SALGA) is the official representative of local government. SALGA has nine provincial offices. Local municipalities join SALGA at provincial level. Executive elections and decisions on policies and programmes happen at provincial or national general meetings. SALGA is also an employers' organisation for all municipal workers, and sits as the employer in the South African Local Government Bargaining Council. SALGA's main source of funding is membership fees payable by municipalities.

It is very important for the principles of cooperative government, as contained in the Constitution, to be respected and observed by all spheres of government. The Inter-governmental Relations Act was set up to facilitate cooperation and avoid legal proceedings between different spheres of government.

Inter-governmental relations go beyond the Act, and the Municipal Finance Management Act also requires consultation in the budgeting and planning process. At provincial level, technical committees should meet regularly to facilitate contact between departments and municipalities and to make sure that there is an alignment of planning priority strategies and resources between provincial and municipal government.

2.5.1. National intergovernmental structures

The Vulamehlo Local Municipality is a non-delegated municipality and reports monthly and quarterly to National Treasury.

Some municipal officials serve in the Institute of Municipal Finance Officers at National level, thus giving the municipality early awareness of new developments in accounting and reporting framework.

2.5.2. Provincial intergovernmental structure

The municipality has received support for the implementation of Organizational Performance Management and for Governance in general from the Provincial Department of Cooperative Governance and Traditional Affairs through the provision of a governance expert to the district family.

2.5.3. Relationships with municipal entities

Tourism is a shared service within the Ugu District family of municipalities and this function is performed through the S21 Company formed: Ugu/South Coast Tourism. Although not an entity of Vulamehlo, it is an entity of Ugu and its functions include the shared service of tourism to Vulamehlo.

2.5.4. District intergovernmental structures

At a District level, the municipality has participated in the District Municipal and Technical Forum which is chaired by the District Mayor, Cllr N Gumede. During the financial year Ugu District together with the locals reviewed its IGR Framework and adopted an improved structure for implementation in 2013-2014.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

During the 2013/2014 financial year, the municipality had 10 functional ward committees which served as a conduit between the municipality and the committee.

In addition to ward committees, the Service Delivery and Budget Implementation Plan (SDBIP) was made public. This contains projected financial and service delivery Indicators and deliverables. Members of the public are also invited to participate in the Oversight process related to the Annual Report.

In the promotion of public accountability and participation members of the public are invited to attend all meetings of the Council and its committees.

Another mechanism of public participation is conducted through Mayoral Budget and Integrated Development Plan (IDP) Imbizo. These are held prior to developing the draft budget in order to provide feedback to the community the implementation of projects in the current financial year and to illicit the needs of the community in order to provide input for the new financial year.

2.5. PUBLIC MEETINGS

2.5.1. Communication, participation and forums

The Vulamehlo Municipality has a Communication Strategy and a Public Participation Policy which guides the implementations of communication, participation and forums' communications.

Stakeholders are categorised as follows:

Internal Stakeholders:

- Provincial and National Departments,
- District, Metro and Local Municipalities,
- Councillors, Executive Committee, Portfolio Committees, Ward Committees
- Employees

External Stakeholders

- Eskom,
- Telkom
- Traditional Leaders.
- Organized Business (Chamber Of Business and Industry) and Labour Formations, Service Providers
- Suppliers
- NGOs, CBOs, Faith Based Organisations, Youth Organisations; Lobby Groups - (Environmental Groups), Unorganized Groupings – (the poor and other Vulnerable Groups), Special Interest or Pressure Groups, Sports Organizations, Self Help Organizations (SHO), Civic or Resident Associations, Citizens etc.
- Police Forums, IDP Forums, Local Implementation Forums.

The IDP Representative Forum becomes a very central forum to finalise the prioritisation process, it is also envisaged that the Budget and PMS stakeholders engagement structures as reflected in the IDP Guides, must be the same or integrated structures.

The public participation is an on-going engagement process, and the following are forms of citizenry participation that are utilized by the Municipality to ensure the citizen and stakeholders voices are accommodated in the planning, execution and review of the IDP, Budget and PMS processes:

- Ward Committee Monthly Meetings
- Stakeholders Quarterly Meeting (Reporting on PMS Progress/SDBIP and IDP)
- Regular Community Meetings by Councillors
- Meetings per annum per ward

Some of the above various forms of public participation engagements are conducted throughout the year specifically at an operational level and then some of them are organized on a fortnightly, monthly, and quarterly and annually as reflected in our Process Plan and Annual Roster of Meetings.

2.5.2. Ward committees

Section 74 of the Municipal Structures Act, and regulation 5 of the Government Gazette No. 27699 Ward Committee, state that Ward Committees may have powers and functions delegated to them (which are essentially advisory in nature) in terms of S59 of the Municipal Systems Act, these are:

1. To serve as an official specialised participatory structure in the Vulamehlo Local Municipality.
2. To create formal unbiased communication channels as well as a co-operative partnership between the community and the Council.
3. Advise and make recommendations to the Ward Councillor on matters of policy affecting the Ward.
4. Assisting the Ward Councillors in identifying the challenges and needs of residents.
5. Dissemination of information in the Ward concerning municipal affairs such as the budget, integrated development planning, performance management systems, service delivery options and municipal properties.
6. Receive queries and complaints from residents concerning municipal service delivery, communication with Council and provide feedback to the community on Council's response.
7. Ensure constructive and harmonious interaction between the municipality and community through the use and co-ordination of ward residents meetings and other community development forums,
8. And Interact with other organizations and forums on matters affecting the ward.

A ward committee may also make recommendations on any matter affecting its ward to the ward councillor or through the ward councillor to the local council. Table 20 below indicates public meetings that took place within the financial year.

Nature & purpose of meeting	Date of events	No of Participating Municipal Administrators	No of Community members attending
IDP /Budget Roadshows	02 April 2014, ward1	01 (as per the attendance register)	89
IDP /Budget Roadshows	04 April 2014, ward 7	01 (as per the attendance register)	154
IDP /Budget Roadshows	07 April, ward 10	05 (as per attendance register)	132
IDP /Budget Roadshows	08 April 2014, Ward 8	01	221
IDP /Budget Roadshows	09 April 2014, Ward 5	01	231

Table 20: Public Meetings

Where possible feedback was provided on the same day, but in cases where there are issues that needed a follow up details of the community member was taken by the officials.

2.5.3. The effectiveness of the public meetings held

The Municipality and Communities alike benefited from the meetings mentioned above as through the consultative processes, information sharing occurred and ward committees shared their advice to the Councillors who in turn did so to Council.

2.6. IDP PARTICIPATION AND ALIGNMENT

	IDP Participation and Alignment Criteria*	Yes/No
1	Does the municipality have impact, outcome, input, output indicators?	No
2	Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
3	Does the IDP have multi-year targets?	Yes
4	Are the above aligned and can they calculate into a score?	Yes
5	Does the budget align directly to the KPIs in the strategic plan?	No
6	Do the IDP KPIs align to the Section 57 Managers	Yes
7	Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
8	Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
9	Were the indicators communicated to the public?	Yes
10	Were the four quarter aligned reports submitted within stipulated time frames?	Yes

Table 21: IDP Participation and Alignment

The alignment of IDP and indicators improved in the 2013/2014 financial year and the municipality will continue to improve the alignment of the IDP and indicators,

COMPONENT D: CORPORATE GOVERNANCE

2.7. OVERVIEW OF CORPORATE GOVERNANCE

Vulamehlo Municipality is an organ of state within the local sphere of government exercising legislative and executive authority within its demarcated area. It functions in accordance with the political, statutory and other relationships between its political structures, political office bearers and administration and its community. The municipality must exercise its authority within the constitutional system of co-operative government envisaged in section 41 of the Constitution. Apart from rights and duties derived from legislation, the municipality must observe and respect the rights of citizens and others protected by the Bill of Rights. The administration is governed by the democratic values and principles embodied in section 195(1) of the Constitution. As a point of departure, the municipality has the functions and powers assigned to it in terms of sections 156 and 229 of the Constitution. Being a local municipality, the Municipality must seek to achieve the integrated, sustainable and equitable social and economic development of its area. These functions are listed in Chapter 5 of the Local Government: Municipal Structures Act, 1998, as amended, ("the Structures Act"). The Municipal Systems Act enhances these functions.

The management of financial affairs of municipalities is governed by the Local Government: Municipal Finance Management Act, 2003, ("the MFMA ") which, inter alia, imposes strict measures to ensure that the municipality is transparent, accountable and responsible in respect of its fiscal and financial affairs. In order to achieve the objects of local government set out in sections 152 and 153 of the Constitution, a municipality must draft, submit, adopt and review an integrated development plan which is in essence a single, inclusive and strategic plan for the development of the municipality. Chapter 5 of the Systems Act regulates the contents and process in respect of the drafting and implementation of this plan. Mindful of the ever-changing priorities and circumstances, the municipality must, within its administrative and financial capacity, establish and organise its administration in such a manner that it would enable the municipality to comply with its task as set out in section 51 of the Systems Act.

The municipal manager is held accountable for the overall performance of the administration, including compliance with the MFMA. This is a huge task and responsibility. See part 2 of Chapter 7 of the Systems Act for details in this regard. In order to maximize administrative and operational efficiency and provide for adequate checks and balances, a municipal council must develop a system of delegation in accordance with Part 3 of Chapter 7 of the Systems Act. It is, however, the duty of the municipal manager, to approve a staff establishment for the municipality. Corporate governance embodies processes and systems by which organisations are directed, controlled and held to account. Corporate governance in South Africa was institutionalised by the publication of the King Report on Corporate Governance in November 1994, which has subsequently been superseded by the King II & III Report on Corporate Governance. The purpose of the King Report is to promote the highest standards of corporate governance in South Africa.

2.8. RISK MANAGEMENT

The municipality risk assessment register was approved at the Council Meeting held on the 28th February 2014. Detailed below are the critical risks of the municipality

No	Risks	Root Causes	Existing Risk Mitigation / Current Controls	Residual Risk	Risk Mitigation Tasks
1	Inability to attract and retain critical scarce skills.	Geographical location of the Municipality. Grading of the Municipality. Unattractive remuneration packages. Hostile working environment.	No control.	Critical	Develop and implement Retention Policy.
2	Inadequate monitoring of service providers.	Poor planning and monitoring. Poor record keeping.	No control.	Critical	Update Supply Chain Management database and blacklist poor performing suppliers. Develop and implement contract register.
3	No existence of Business Continuity Plan and Disaster Recovery Plan.	Lack of capacity. Outdated hardware. Lack of training (staff). Poor authentication management.	Information Technology Policy.	Critical	Conduct an Information Technology Risk Assessment.
4	Non alignment of Integrated Development Plan with the budget.	Poor planning. Insufficient funding. Lack of co-operation between departments. High expectations by the community.	Community Based Planning. Process Plans.	Critical	Ensure compliance with Process Plans.
5	Poor management and maintenance of community facilities.	Poor planning. Inadequate funding. Vast spread of the Municipal area. Lack of security.	Inspections.	Critical	Develop and implement Community Facilities Policy.

No	Risks	Root Causes	Existing Risk Mitigation / Current Controls	Residual Risk	Risk Mitigation Tasks
6	Failure to safeguard Municipal records.	Lack of secure storage area. Lack of co-operation. Non compliance with Filing Plan. Lack of capacity. Unauthorised access to registry.	Filing Plan. Procedure Manual.	Critical	Review and implement Filing Plan Review and update Procedure Manual and workshop it to staff.
7	Inadequate development and maintenance of Municipal roads.	Insufficient funds. Poor planning. Backlog. Adverse weather conditions. Lack of monitoring of service providers.	Maintenance Schedule. Maintenance Sheet. Inspections.	Critical	Develop and implement Maintenance Plan. Develop and implement contract register.
8	Inability to attract and retain investors in the Municipal area.	Poor infrastructure. Land is privately owned. Lack of skills and capacity. Topography of the Municipality.	Local Economic Development Strategy.	Critical	
9	Ineffective implementation of Performance Management System.	Outdated Performance Management Framework. Lack of monitoring and reviewing.	Internal Audit Reports. Performance Audit Committee. Performance Management System Framework.	Critical	Develop and implement Performance Management System Policy.
10	Awarding contracts to employees of the state.	Lack of system to detect/verify contractors. Submission of misleading information by potential suppliers. Collusion.	Declaration of Interest Forms.	Critical	Conduct verification of suppliers (directorship/ownership) with CIPC.
11	Fraud and corruption activities within the Municipality.	Lack of segregation of duties. Unethical behaviour. Collusion.	Fraud Prevention Plan. Code of Conduct. Supply Chain Management Policy and Procedures.	Major	Finalise and implement Fraud Prevention Plan and workshop it together with the Code of Conduct.

No	Risks	Root Causes	Existing Risk Mitigation / Current Controls	Residual Risk	Risk Mitigation Tasks
12	Inability to utilise Municipal infrastructure grants.	Poor planning. Poor monitoring of service providers. Appointment of incompetent service providers.	Payment Plan. Supply Chain Management Policy and Procedures. Inspections. Progress reports.	Major	Develop 3 year plans for all Municipal projects.
13	Poor budgeting.	Lack of understanding of budgeting process.Poor planning.Insufficient funding.Lack of monitoring of expenditure patterns.Lack of capacity.Non alignment of budget, Integrated Development Plan and Service Delivery and Budget Implementation Plan.	Budget Process Plan. Budget Policy. Financial Plan.	Major	
14	Appointment of incompetent officials.	Geographical area of the Municipality. Lack of skilled individuals around Vulamehlo area. Interference in recruitment processes. Lack of pre-screening of candidates. Unattractive remuneration packages.	Recruitment and Selection Policy.	Major	
15	Poor financial management reporting.	Lack of capacity. Poor record keeping. Lack of supervision. Reconciliations are not performed regularly (between departments).	MFMA Calendar.	Major	Develop compliance checklist and ensure supervision upon preparation of reports.
16	Inadequate management of Municipal fleet.	Inadequate monitoring of log books, tracking devices and garage cards. Insufficient supporting documentation to facilitate the reconciliation process e.g. petrol slips not provided to finance. Lack of supervision. Lack of capacity.	Reports to Portfolio Committee. Trip Authorisation Forms. Log Sheets. Fleet Management Policy. Tracking Device.	Major	Perform monthly reconciliations of petrol slips and tracking reports.

No	Risks	Root Causes	Existing Risk Mitigation / Current Controls	Residual Risk	Risk Mitigation Tasks
17	Abuse of leave and overtime.	Lack of monitoring and supervision. Collusion. Poor time management/poor planning. No pre-approval of overtime.	Leave Policy.	Major	Develop and implement Overtime Policy.
18	Inability to enhance Municipal revenue.	Culture of non payment. Rural nature of the Municipality. High number of indigents. Inaccurate consumer database.	Rates Policy. Credit Control Policy.	Moderate	Update consumer database.
19	Poor management of Municipal assets.	Outdated Asset Management Policy and Plan.Poor supervision.Lack of communication between departments.Lack of office space.	Asset Register. Asset Management Policy.	Moderate	Review and implement AssetManagement Policy.

Table 22: Risk Management

2.9. ANTI-CORRUPTION AND FRAUD

The municipality has been dealing with matters relating to fraud and corruption within the municipality.

Chapter 4 details of Disciplinary Action taken on cases of financial mismanagement. MSA 2000 s 83 (c) requires providers to be chosen through a process, which minimises the possibility of fraud and corruption.

Vulamehlo Municipality has a range of measures to prevent corruption, fraud and theft; these are in sync with the national anti-corruption strategy. Accordingly, Council developed the Fraud Prevention Framework: Policy, Systems and Procedures was developed in the 2012-2013 financial year. These procedure were implemented in the 2013/14 financial year. This framework was presented with staff and political leadership as part of its development, refinement and awareness raising.

It is necessary to be proactive in terms of Fraud and Anti-Corruption and be of the understanding that criminal and other irregular conduct is detrimental to good, effective, accountable and transparent governance and hampers the service delivery capacity of the Municipality.

To that end, the objectives of the Municipality are:

- Develop and foster an environment, where public representatives, the employees of the Municipality and the public shall strive to eradicate corruption, fraud and theft through the application of a full spectrum of pro-active and re-active measures at their disposal
- Encourage disclosures of corrupt practices and the protection of whistle-blowers through the application of the Protected Disclosures Act (Act No. 26 of 200)
- Encourage the reporting of irregular acts or corrupt activities through the joint utilisation of the national anti-corruption hotline
- Ensure that, where appropriate, the Municipality recovers financial losses or damages incurred by using a range of legal instruments at its disposal
- Furthermore, a shared services internal audit unit of the Ugu District Municipality exists to analyse and report on the control environment in order that management can proactively deal with the underlying causes of corruption and theft. An external Audit Committee made up of external experts is constituted and meets on a regular basis to analyse audit reports and, where appropriate, make recommendations to management to implement effective management strategies and practices, such as those provided for in the King III Report. Such an Audit Committee does not include councillors and is therefore seen as objective and non-biased in its assessment and recommendations.
- Vulamehlo has adopted Bid Committees immediately upon promulgation of Supply Chain Management Regulations, in line with the Municipal Finance Management Act. There are no councillors serving on Bid Committees since that time. Council plays an oversight role on the implementation of Supply Chain Policy and quarterly reports are submitted to the Mayor.
- Any incidents of corruption and theft are reported to the Municipal Manager and acted upon by an internal investigative unit, who also report such incidents to the SAPS where appropriate.

2.10. SUPPLY CHAIN MANAGEMENT

The municipality's Supply Chain Management unit is a support function for all business units within the Municipality to ensure provision of efficient, transparent, fair, equitable and cost effective procurement services hence assisting them to implement their service delivery priorities.

- In terms of the MFMA SCM regulations the SCM unit is established to implement the SCM policy adopted by council.
- It operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act

Core Functions

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- SCM risk management; and
- Performance management

The supply chain management policy for the year 2012/2013 was reviewed and adopted by Council in **09 May 2013**.

In terms of SCM Regulation 3 (1) (a) reviewed in **09 May 2013**. The main change made to the policy was to bring it in line with the structure of the SCM regulations. The aim was to establish a credible base from which the business processes can be developed.

This review was to further align the policy to Preferential Procurement Regulations 2011, issued in terms of the section 5 of the preferential Procurement Policy Framework Act, Number 5 of 2000 (PPPFA). The Regulations were published in the Government Gazette on 08 June 2011 the new regulations aims to align the Preferential Procurement Policy Framework Act, 2000 and the Broad – Based Black Economic Empowerment Act, 2003 effective from 7 December 2011, issued by National Treasury.

2.11. BY-LAWS

The Municipal Systems Act of 2000, Section 11 (3)(m) provides Municipal Councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

For the 2013/2014 financial year, Vulamehlo Municipality did not adopt or implement any new by-laws.

2.12. WEBSITE

A website is an integral part of the municipality's communication infrastructure and strategy. If managed effectively, it allows easy access to relevant information, serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance.

The municipality has a functional website and the address of the website is www.vulamehlo.gov.za

At this stage not all requirements of Section 75 of the MFMA have been met, however we are striving to meet all the compliance issues.

The role of municipal websites, as platforms for information dissemination, participation and disclosure has been significantly catered for in various pieces of legislation, including:

- The Local Government Municipal Systems Act No 32 of 2000 ("the Systems Act");
- The Local Government Municipal Financial Management Act No 56 of 2003 ("the MFMA"); and
- The Municipal Property Rates Act, no 6 of 2004 ("the MPRA").

S75 of the MFMA sets out the information which a municipality must publish on its website. Detailed below is a summary of the documents published on the website.

Document Name	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (2012/13)	Yes
The annual report (2013/2014) published/to be published	Will be published once tabled
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2013/2014) and resulting scorecards	No
All service delivery agreements (2013/2014)	No
All long-term borrowing contracts (2013/2014)	No
All supply chain management contracts above a prescribed value of R100,000 for 2013/2014	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2013/2014	No
Contracts agreed in 2013/2014 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2013/2014	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2013/2014	No

Table 23: Municipal Websites Information Table

2.13. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

In the financial year 2013/14, the Ugu District Municipality undertook a district-wide client satisfaction survey. The survey was conducted by means of a structured questionnaire completed with the assistance of trained locally employed interviewees from each of the local municipalities.

For the Vulamehlo Local Municipal Area the following results were noted:

Subject matter of survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	
(b) Municipal Service Delivery	74% of the respondents believe that service delivery is very poor to poor
Satisfaction with:	
(a) Refuse Collection	Not addressed in the survey
(b) Road Maintenance	Not addressed in the survey
(c) Electricity Supply	Not addressed in the survey
(d) Water Supply	67% of the respondents have rated the provision of water services as poor
(e) Information supplied by municipality to the public	Not addressed in the survey
(f) Opportunities for consultation on municipal affairs	Not addressed in the survey

Table 24: Public Satisfaction on municipal services

CHAPTER 3 - SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

3. PERFORMANCE OVERVIEW

3.1. INTRODUCTION

The Annual Performance Report (APR) is a legislative requirement which prescribes that the report must be submitted to the Auditor General by the 31st August annually. The Annual Performance Report, amongst other documents, will form part of the consolidated Annual Report of the Municipality which must be submitted to Council by the end of January on an annual basis. The analysis of the Annual Performance Report is aimed at evaluating the quality of the actual results delivered by programmes in the attainment of the Municipality's strategic objectives.

The Performance Management function of Vulamehlo Local Municipality is performed within the Office of the Municipal Manager. The Performance Management unit was capacitated during the 2013/2014 financial year by the appointment of two employees, i.e. one permanent post of Manager: Performance Management and one post of assistant intern.

During the 2013/2014 financial year, the Performance Management Unit prepared a new Performance Management Framework and Policy, which was adopted for 2014/2015 financial year by Council on the 30th June 2014. The Performance Management Framework and Policy review for the 2014/2015 financial year was adopted by Council and was made available to the public through an advertisement dated 22-28 July 2014 on the Mid Coast Rising Sun Newspaper. The Performance Audit Committee for the 2013/2014 financial year is in place and was established in terms of Section 14(2) (a) of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and the members are as follows:

External Members

Mr. Paul Preston– Chairperson

Ms. Chantel Elliot - Member

Mr. Imraan Lockhat– Member

Standard Invitees

Mr. MH Zulu- Municipal Manager

Mr. TS Khwela- Chief Financial Officer (CFO)

Ms. P Luthuli- Internal Audit Resigned 26 March 2014

Mr. L. Dlodla – Internal Audit Appointed July 2014

Other Invitees

The Auditor-General

Representatives from COGTA

Top management of the Municipality

The Performance Audit Committee has met on the following dates on 29 August 2013, 12 November 2013, 09 December 2013, 04 October 2013, 21 February 2014 and 17 June 2014 to consider the reported annual performance achievements reported on the OPMS scorecard as well as the Performance Achievements reported in terms of the Service Delivery Budget Implementation Plan on the completed 2013/2014 financial year.

3.2. OVERALL PERFORMANCE OF THE MUNICIPALITY

Out of the total of 14 strategic objectives contained within all 5 National KPA's and 75 performance indicators in the Organizational Scorecard, 57 indicators are reported to be achieved targets, and 18 were not achieved as per the table below.

KPA	No. of Strategic Objectives	No. of Indicators	Achieved	Not Achieved
Basic Service Delivery	4	14	8	06
Local Economic Development	4	9	5	4
Good Governance & Public Participation	3	21	16	5
Institutional Transformation	01	15	13	2
Financial Management & Viability	02	16	15	01
TOTAL	14	75	57	18
% Achievement			76%	24%

Table 25: Overview of National KPAs:

Performance of the National KPA's indicates that Good Governance did not achieve many of their targets followed by Local Economic Development. It should be noted that these departments may not necessarily be the least performing departments within the municipality, due to that one department may declare to have achieved their targets whilst this could not be true or even be verified, these departments reflect as so because they have fully declared their non-achievement of their set targets.

Municipal Overall Performance for 2013/2014 Financial Year		
Total No. of Municipal KPI's	75	
Number of Achieved	57	76%
Number of Not Achieved	18	24%
Comment	Satisfactory	
Action Plan	Great improvements are required	
Measure for improvements	Set SMART targets	

Table 26: Municipal overall performance

The figure above indicates the total Municipal Performance in terms of Percentage Municipality has achieved 76% in total. This indicates that there major interventions required. Much attention is required in the KPA's that have achieved below 70% An action plan needs to be developed in the 2014/2015 financial year to improve performance in these areas.

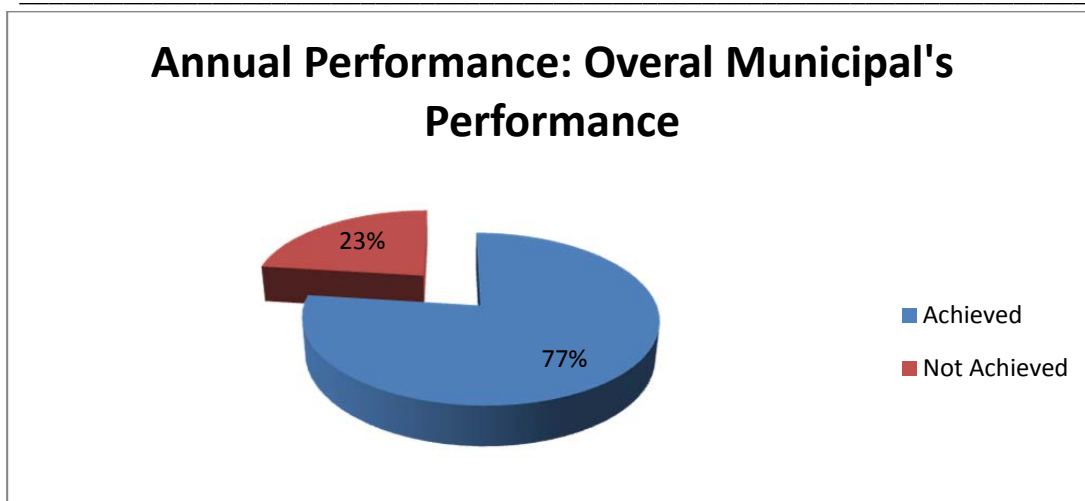


Figure 11: Overall Annual Performance 2013/2014 FY

3.3. BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

KPA: Basic Service Delivery and Infrastructure Development (Technical Services)

KPA 1	Basic Service Delivery and Infrastructure Development	
Total No. of KPI's	14	
Number of KPI's Achieved	8	57%
Number of KPI's Not Achieved	6	43%
Comment	Satisfactory	
Action Plan	Strategies and Plan required for more interventions	
Measure for improvements	Set SMART targets	

Table 27: KPI Basic Service Delivery and Infrastructure Development

The table indicates that the Technical Services has achieved 57% in terms of implementation of the KPI's and programmes for the year. It is evident from the table above that there is enormous improvement required in terms of this KPA as it is the core of Service Delivery. Strategies and plans should be put in place for the 2014/2015 financial year in order to ensure improvement.

Annual Performance: Basic Service Delivery &Infrastructure Development



Figure 12: Technical Services Performance 2013/2014

The municipality also made considerable achievements on projects planned for the financial year under review. A glimpse of progress is as depicted above.

Highlights

- Due to proper reporting in terms EPWP through MIG projects Technical Department of Vulamehlo has managed to secure EPWP incentive grant for the first time at an amount of 1million starting from this current finical year (2014/2015) to maximise job opportunities by introducing of new Programme such as social , infrastructure and cultural programmes which then will able to creates more job opportunities within Vulamehlo municipality
- Technical Services had an amount of R 16 959 000 million for capital budget MIG, it has managed to utilise its entire capital budget on following project : *Mfume sport ground, Ngwadini Sport Ground, mistake farm access, Ward 9 Skills Centre and Dumayo community hall* with allocated finical year.
- Vulamehlo has planned to construct 1500 rural housing units for ward 8 and 9 , both ward 8 & 9 rural housing project was compiled on time, at a sum of 1 500 houses.

Challenges:

- Poor performance from service providers/contractors leading to the termination of contracts, hence delaying processes of service delivery.
- Forensic Audit prevented continuation of projects that were placed on hold, hence hindering service delivery and increasing backlog.
- During Quarter 2 we encountered raining weather conditions for the duration of the quarter that slowed and delayed performance on various sites.
- The delays of SCM processes and procedures have prevented numerous aspects of performing all KPI's.
- The provision of highly specialized material such as steel portal frames, ready mixed concrete etc. hinders the complication of KPI's that lead to service delivery
- The increase in the demand for water in communities, increasing the scope of delivery excluding what is planned on the work schedule due to limited infrastructure i.e. water tankers the municipality then experiences shortfalls in delivery to all wards timeously.

- Land ownership (Private and state land ownership) issues prevent rural housing development to happen on the ground even those that have been approved in principle due to the limitation in the Human Settlements policy such issue was encountered in ward 10.
- The issue of electricity provision in Vulamehlo has been limited to that Eskom reached its maximum capacity, meaning Eskom can no longer provide for new connections.
- Community steals and damages infrastructure during the construction phase of the project. Incidences include the Amahwaqa electrification project ward 6, where 500 wooden poles were burnt and two transformers were stolen on site, thus denting immensely the delivery of services and performance of respective efforts of both the Municipal and the service provider.
- Capacity with the Municipality and lack of specialized skills has prevented the development of Roads, Asset and infrastructure Maintenance Plan and limited and or no funding available to outsource the functions to service providers.

The table below shows the planned targets and the actual targets achieved for each of the KPI's for basic service delivery.

Outcome: Improve Access to Basic Services

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To maintain existing infrastructure	Develop and implement an Asset Maintenance and Rehabilitation Plan	Develop and Implement an Asset Maintenance and Rehabilitation Plan	Date of Adoption	31 March 2013	0	30 Feb 2014	0	Not Achieved	Maintenance plan has been developed and work shopped. The plan needs to be adopted by Council.
To facilitate the provision of basic service and infrastructure	Facilitation of basic water programme	Deliver portable water to wards with no water connection	Frequency	2 times a week	2 times a week	2 times a week	2 times a week	Achieved	We monitoring progress by doing random visits to address those challenges
	Facilitation of electricity installation	Facilitate the Installation of new household connections	Number of households electrified	100	117	842	1 103	Achieved	
To facilitate the housing development programme	Facilitate the Provision Rural Houses	Facilitate the Provision Rural Houses	Number of Units provided	n/a	n/a	500	1 196	Achieved	

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To ensure investment on infrastructure development and service delivery	Establish Gravel Roads	Establish Gravel Roads	Number of kms constructed for Diki Road	2.0km	1.9km	100meters	0	Not Achieved	The process of appointing was withhold due to the Forensic, Service provider shall be appointed immediately after Forensic outcome
			Number of kms constructed for Banana Road	2.0km	1.6km	400meters	0	Not Achieved	Plan in a sustainable manner to avoid overlapping of the projects
			Number of kms constructed for Matsheketshe Road	2.5km	1.25km	1.25km	0km	Not Achieved	The process of appointing was withhold due to the Forensic, Service provider shall be appointed immediately after Forensic outcome
			Number of kms constructed for Bhewula Road	2.1km	1.8km	300meters	300 metres	Achieved	
			Number of kms constructed for Ophondweni Road	4km	3.2km	800meters	800m	Achieved	

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
			Number of kms constructed for Mgangeni Road	3km	1.9km	1.1 km	0 km	Not Achieved	Plan in a sustainable manner to avoid Overlapping of the projects. Fast track SCM Processes by dealing with shortfalls immediately
			Number of kms constructed for Mistake Farm road	n/a	n/a	1.4 km	1.4 km	Achieved	
	To construct New Community Facilities	Construction of sports complex	Number of Sports complex constructed (Mfume Sportfield and Ngwadini Sport field	n/a	n/a	2	2	Achieved	
		Construct Ward 09 Skills Centre	Number of Skills Centre Developed	n/a	n/a	1	1	Achieved	
		Construct Dumayo Community Hall	Number of Community Halls Constructed	n/a	n/a	1	0	Not Achieved	Plan in a sustainable manner to avoid overlapping of the projects

Table 28: Performance Indicators for Basic Service Delivery

3.4. LOCAL ECONOMIC DEVELOPMENT

KPA 2	Local Economic Development	
Total No. of KPI's	9	
Number of KPI's Achieved	5	56%
Number of KPI'S Not Achieved	4	44%
Comment	Good	
Action Plan	More interventions required for the issues of illegal sand mining and heritage sites in Vulamehlo	
Measure for improvements	Set SMART targets	

Table 29: Local economic development

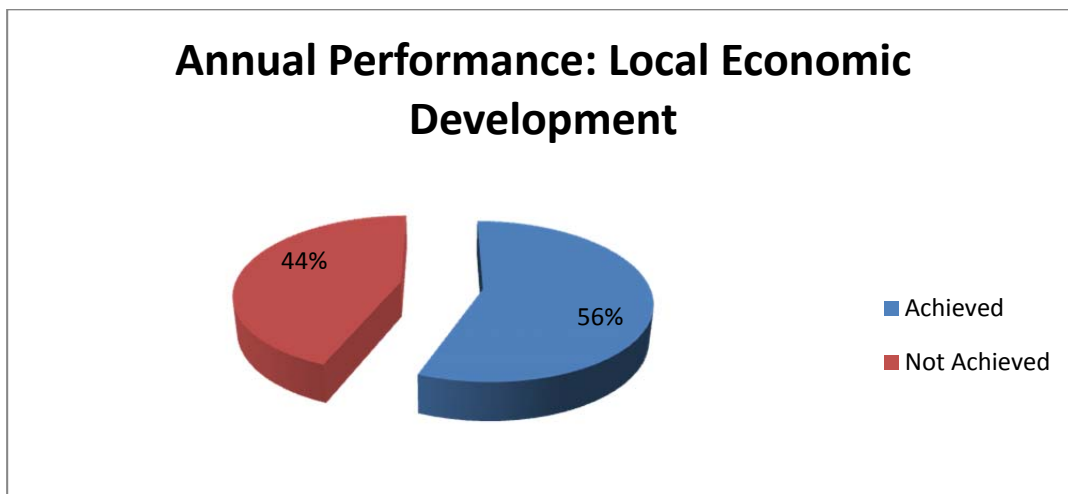


Figure 13: Local Economic Development 2013/2014

It is evident from the figure below that the Municipality has progress in terms of the Local Economic Development. However the Municipality has to introduce programmes and projects to address.

Highlights

- **UGU JAZZ FESTIVAL:** The Office of the Municipal Manger managed to secure one of our SMME's a sport in trading at the UGU jazz festivals that was held at UGU Sport and Leisure on the 28th of June 2014. As this was for the first time Vulamehlo Municipality was afforded a chance to participate in this big annual festival.
- **SMME/CO-OPERATIVES TRAININGS:** A number of training sessions were provided by the Municipality working together with sector Departments such as SEDA, DEDT, Old mutual, Sokhonjwa Business Solution and Department of Arts and Culture. The training consisted of different aspects of business management of both co-operatives and SMMEs.
- **AGRICULTURAL SUPPORT:** As one of our indicators to support communal gardens as well as co-operative under Vulamehlo, the Office of the Municipal Manger has managed to provide support to 4 communal gardens and 3 co-operatives with the starter package to be able to kick start their business.
- **ENVIRONMENTAL PROTECTION AND INFRASTRUCTURE PROGRAMMES (EPIPO PROJECT/2014/15-2018/19 MIEF:** The Municipality has managed to secure funding, by developing business plans and proposals for the Expansion of production and Harvesting of aloe essential project at R8,700 00.00 and Vulamehlo Solid Waste Management at R8,230 000.00 reflecting on both LED strategy and IDP, funded by the Department of Environmental Affairs at an amount of R16 930 000.
- **SCHOOL NUTRITIONAL PROGRAMME:** Eight (8) Co-operatives under Vulamehlo are to be part of the Nutrition programme which is newly implemented under UGU district by the south Coast Development Agency. This will be part of all the small business identified in 6 municipalities to provide their produced in all schools under UGU District.
- **VULAMEHLO INFORMATION TOURISM OFFICE:** On the 6th of February 2014 Vulamehlo Local Municipality launched an office of the visitor's information office working together with the South Coast Tourism; the office is situated in the Municipal Offices.

- **CULTURAL TOURISM AND HERITAGE:** The event held at Dududu ward 06 in conjunction with the South coast tourism as well as the Mazibuyemasisweni PTY/LTD, in creating tourism awareness under Vulamehlo Municipality. As Vulamehlo is very rich when it comes to Culture and heritage sites.
- **CO-OPERATIVE /SMMEs DATABASE:** The Office of the Municipal Manger (LED unit) created a Database to register all the existing Co-operatives as well as SMME's under Vulamehlo Local Municipality.
- **STATUTORY COMPLIANCE:** The Office of the Municipal Manger has managed to adhere to all the statutory requirements as stipulated in the legislations, hence managing to deal with other critical issues at hand within the municipality

Challenges

- **SCM processes** (procurement of goods and services) are delayed which makes meeting the set target very difficult to be meet.
- **SHORTAGE OF STAFF:** The office is working under pressure as they is a shortage of staff, and with just one manager performing a key areas independently.
- **RESIGNATION OF INTERNAL AUDIT:** The internal auditor resigned on 26 March 2014 and did not serve her months' notice thus resulting in the limitation of all auditing processes not occurring on time. A new Internal Auditor was appointed on 1 July 2014.
- **POOR PRODUCT QUALITY FROM SERVICE PROVIDERS:** The Kobiyakwazindlala Egg-laying project in ward 05 was not successful due to a service provider who did not provide what was being requested by the Municipality.

Outcome: Community Work Programme Implemented and Cooperatives Supported

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To create an enabling environment for resounding and sustainable LED	To facilitate the regulation of sand mining	Create database of sand mining sites	Number of sites identified	n/a	n/a	2	1	Not Achieved	Communicate with Depart. Minerals and Energy in-order to find sustainable ways of reducing illegal sand mining and learn legal procedures to conduct this process
	Develop Market	Develop an Agricultural Depot	Number of depots developed	n/a	n/a	1	0	Not Achieved	The department has no funds for the project to be implemented. Hence in the next financial year we must make budgetary provision.

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To promote sustainable livelihood	Create jobs through Community Works Programme	Create jobs through Community Works Programme	Number of jobs created	1000	1 064	1000	1000	Achieved	
	Implement Extended Public Works Programme (EPWP)	Create jobs through EPWP	Number of jobs created	1000	40	160	143	Not Achieved	Introduce more EPWP Project, since that municipality has been awarded the EPWP incentive grant
	To facilitate commercialization of community gardens through the provision of training and capacity building	Training and capacity building programme	Number people/ members of community gardens trained	2	0	25	72	Achieved	
To create an enabling environment for economic growth and development	Provide SMME support	Provide SMME support	Number of SMME supported	n/a	n/a	3	9	Achieved	
	Provide agricultural support	Provide agricultural support	No. of communal gardens supported	n/a	n/a	4	5	Achieved	
	Distribute seeds to Communal Gardens	Distribute seeds to Communal Gardens	Number of Communal gardens distributed with seeds	n/a	n/a	4	4	Achieved	
To facilitate promotion of available tourism sites	Facilitate the Creation database for these sites and they history and submit it to south coast tourism association	Create an database capturing the number of tourism sites available in Vulamehlo	Database completed by date	n/a	n/a	Feb 2014	0	Not Achieved	For the Municipality to work closely with South Coast Tourism and for this entity to be more physically present at the Municipality in-order to assist.

Table 30: Performance indicators: Local Economic Development

3.5. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

KPA 3	Municipal Transformation and Institutional Development	
Total No. of KPI's	15	
Number of KPI's Achieved	13	87%
Number of KPI's Not Achieved	2	13%
Comment	Good	
Action Plan	There is room to improve.	
Measure for improvements	Set SMART targets	

Table 31: Municipal transformation and Institutional Development

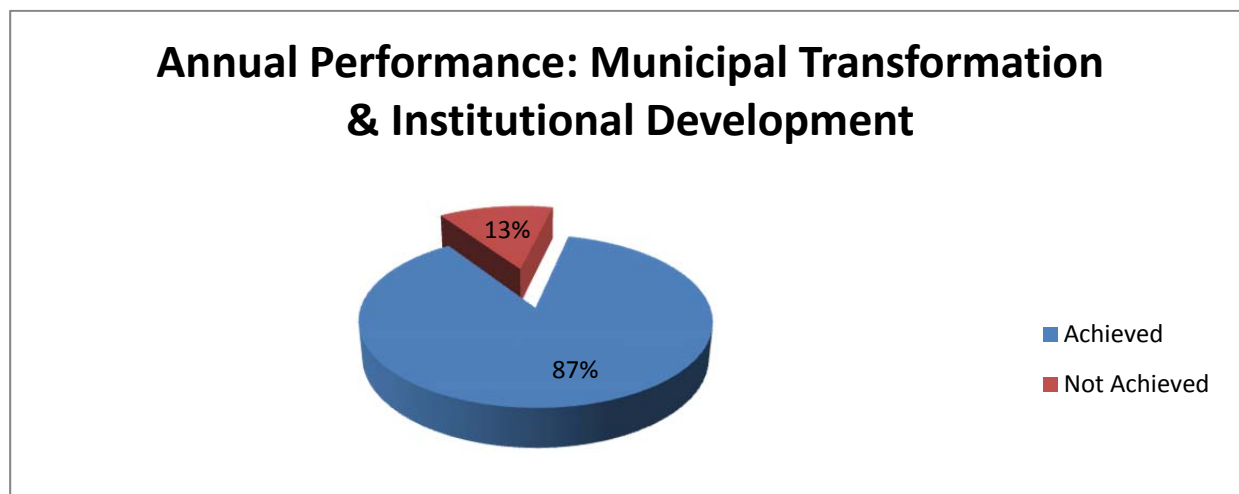


Figure 14: Municipal Transformation and Institutional Development 2013/2014

Outcome: Differentiated Approach to Municipal Financing, Planning and Support and Administrative and Financial Capabilities

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To ensure institutional development & sound administration	Skills Development Plan	Development and adoption of Skills development Plan	Date Adopted	n/a	n/a	30 March 2014	0	Not Achieved	Identify the necessary Skills that require developing and improving, than prioritise those skill, than Develop a plan that talks to current status quo and things accordingly in the municipality (issues of Human Resources)

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measur e	2012/1 3 (target)	2012/1 3 (actua l)	2013/1 4 (target)	2013/1 4 (actua l)	Status Achieve d / Not Achieve d	Comments
	Update Organogram	Review organogram	Date Adopted	31 May 2013	n/a	30 June 2014	0	Not achieved	Awaiting finalization of matters relating to the amalgamation process. Change Management to Finalise the Demarcation Process
	Development of Annual Report 2013/2014	Prepare Annual Report	Date of Adoption	31 March 2013	27 March 2013	31 March 2014	31 Jan 14	Achieved	
		Ensure Preparation of Oversight Report	Date of Adoption	n/a	n/a	31 March 2014	31 March 2014	Achieved	
	Functional Organizational Performance Management System (OPMS) and Performance Agreements for Section 54/6	Develop Section 54/6 Performance Agreements	Number of Signed Agreements	4	4	4	4	Achieved	
		Develop Section 54/6 Performance Agreements	Date of Adoption	30 June 2013	28 June 2013	31 July 2013	31 July 2013	Achieved	
		Develop Performance Management Framework	Date of Adoption	30 June 2013	28 June 2013	30 June 2014	30 June 2014	Achieved	
		Preparation of quarterly performance report	Number of quarterly reports	4	1	4	4	Achieved	
		Ensure Performance Reviews for Section 54/6 Managers	Number of reviews conducted	4	2	4	3	Achieved	Quarter 3 & 4 were conducted on the same day. Put proper planning measures in place
		Develop Annual Performance Report - MSA Section 46	Number of Reports	1	1	1	1	Achieved	
	Develop Strategic Integrated Development Plan 2013/2014	Develop IDP Process Plan 2014/2015	Date of Adoption	30 August 2012	05 December 2013	30 Aug 2013	25 September 2013	Achieved	COGTA proposed that all Ugu District Municipality's await their MEC Comments, since they were not yet given to municipalities. Sector Departments must speed up responses to municipalities
		Conduct IDP Rep Forums	Number of IDP Rep	n/a	n/a	4	4	Achieved	
		Develop 2014/2015 Draft IDP	Date noted	30 March 2013	27 March 2013	30 March 2014	28 March 2014	Achieved	

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
		Finalise 2014/2015 IDP	Date of Adoption	30 June 2013	28 June 2013	30 June 2014	30 June 2014	Achieved	
	Ensure Review of the Human Resource	Review Human Resources Policies	Number of Policies Reviewed	6	6	4	4	Achieved	

Table 32: Performance Indicators: Municipal Transformation and Institutional Development

3.6. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

KPA 5	Good Governance and Public Participation	
Total No. of KPI's	21	
Number of KPI's Achieved	16	76%
Number of KPI's Not Achieved	5	24%
Comment	Good	
Action Plan	There is a need for Interventions to improve.	
Measure for improvements	Set SMART targets	

Table 33: Good Governance and Public Participation

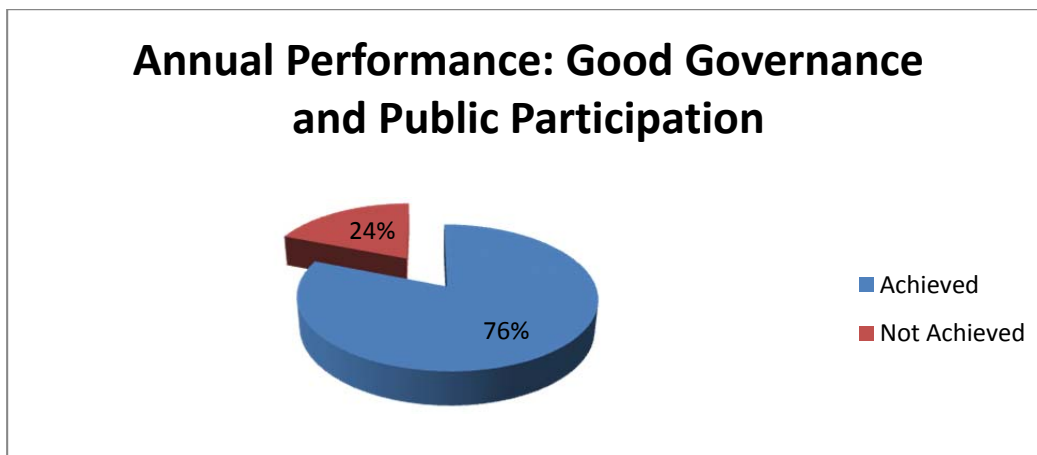


Figure 15: Corporate Services Performance 2013/2014

Outcome: Deepen democracy through a re-defined ward committee model; single window of co-ordination

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To promote a culture of participatory Development	Ensure Constant communication with Community	Develop Communication Strategy	Date of Adoption	n/a	n/a	30 July 2013	0	Not Achieved	
		Conduct Customer Satisfaction Survey	Number of surveys conducted	n/a	n/a	1	1	Achieved	
		Conduct Mayoral Izimbizo	Number of Mayoral Izimbizo held	n/a	n/a	5	10	Achieved	
		Conduct IDP/Budget Road shows	Number of IDP/Budget Road shows held	n/a	n/a	5	5	Achieved	
		Publish Municipal Newsletter	Number of Newsletters published	2	1	1	1	Achieved	
	Ensure Participatory Ward	Ward Committee support	Number of workshops held	n/a	n/a	2	2	Achieved	
To ensure the development of a safe and secure	Promote a culture that fights against Drugs and Substance Abuse	Conduct Drugs and Substance Abuse Awareness Programmes	Number of Awareness Programmes Held	1	0	2	1	Not Achieved	
		Conduct Drugs and Substance Abuse Awareness	Date of conduction	31 March 2013	0	Dec 2013	June 2014	Achieved	
	Ensure Functional Disaster	Review Disaster Management	Date of Adoption	30 June 2014	28 June 2014	Nov 2013	June 2014	Achieved	
	Identify Risk by placing reduction and mitigation measures	Develop Risk Management Register policy	Date of Adoption	31 March 2013	0	Nov 2013	Feb 2014	Achieved	
		Compile a Risk register	Date of Adoption	30 June 2013	May 2013	Dec 2013	Feb 2014	Achieved	
		Develop Risk Management Strategy	Date of Adoption	30 June 2013	0	Feb 2014	Feb 2014	Achieved	
To promote human rights and social upliftment of vulnerable groups	To allow access to Education and Youth Development	Assist Learners with the payment of Tertiary Registration Fees	Number of learners assisted with payment of Tertiary Registration fees	40	40	45	39	Not Achieved	Plan properly and have a waiting list just in-case students pass away as it happened with one student

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
		Youth Business Development Indaba	Date of Career exhibition conducted	31 Dec 2012	31 Oct 2012/Nov 2012	Feb 2014	March 2014	Achieved	
		Assist Youth to obtain drivers licence	Number of youth assisted with Drivers Licence	n/a	n/a	20 learners by July 2013	20	Achieved	Programme to be replaced
		Conduct a Dress a Child Campaign	Number of Dress a child campaign held	100	101	25 children by Jan 2014	180 by May	Achieved	
	Promote Gender Programmes	Conduct Awareness programmes on Gender Based Programmes	Number of Coordinated	n/a	n/a	4	4	Achieved	
			Number of awareness programmes on Gender based	4	3	4	5	Achieved	
	HIV & AIDS Programmes	Conduct HIV/AIDS Programmes	Number of programmes	4	2	4	2	Not Achieved	
	Facilitate Disability Programmes	To promote Disability Programmes	Number of support programmes	2	2	5	2	Not Achieved	
	Facilitate Senior Citizens Programmes	To facilitate senior citizens programmes from the establishment of Luncheon clubs	Number of programmes	4	3	5	5	Achieved	

Table 34: Outcome: Deepen democracy through a re-defined ward committee model; single window of co-ordination

3.7. FINANCIAL VIABILITY AND MANAGEMENT

KPA 4: Financial Viability & Management (Finance)

KPA 4	Financial Viability and Management	
Total No. of KPI's	16	
Number of KPI's Achieved	15	94%
Number of KPI's Not Achieved	1	6%
Comment	Excellent Performance	
Action Plan	Work towards sustaining the performance	
Measure for improvements	Set SMART targets	

Table 35: Financial Viability and Management

Annual Performance: Financial Viability & Management

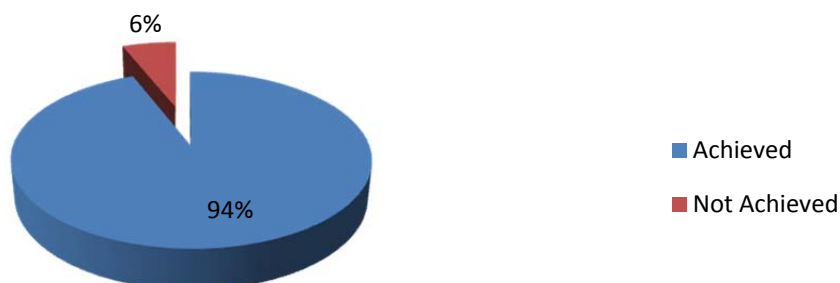


Figure 16: Finance Department Performance 2013/2014

Highlights

- We have had a consistency in reporting to Finance Management Committee.

Challenges

- Failure to collect rates debts: It has been difficult to collect money for rates since billing statements were not reaching ratepayers due to the absence of postal addresses. This challenge has been resolved since we hired a consultant to collect addresses from ratepayers for us. We have started sending customer statements to new addresses and existing ones were verified for correctness.
- Deviations due to poor planning: Staff resistance to participate in drafting procurement plan led to a number of unnecessary deviations.
- Failure of this municipality to approve Financial Delegations due to irresponsible council resolution denying approval of BTO structure: In terms of s79 of MFMA, the delegation must be in line with individuals' responsibilities-structurally and job descriptions. Finance Department as of now operates without a formal organogram and job descriptions thus the implementation of a financial delegation is impossible.

Outcome: Improved municipal financial and administrative capability

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
To Ensure adherence to clean audit objectives & advancement	Develop financial plan	Develop Financial plan	Date of Adoption	n/a	n/a	30 March 2014	May 2014	Achieved	To set this target together with adoption of Fin Policies and Budget

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Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
of Financial Viability	Revenue enhancement by creating efficient billing system and increased tariffs	Increase Revenue Col- lection	Percentage increase in Revenue collection	5%	2%	15%	-9%	Not Achieved	Collect ratepayer's addresses
		Revenue collected from customers	Percentage of Revenue collected from customers	90%	90%	50%	58%	Achieved	
	Municipal Audit file, AFS & Performance Report to AG	Submit Municipal Audit file, AFS & Performance Report to AG	Date of Submission	31 August 2013	31 August 2013	31 Aug 2014	29 Aug 2014	Achieved	Set target within reporting year
To ensure a sound and effective Financial Management	To align to National policies & Budgeting guidelines	To review and Adopt the municipal budget	Date of Adopted Budget	31 May 2013	0	31 May 2014	30 May 2014	Achieved	
		To Review and Adopt Budget Process Plan	Date of Adopted Budget Process Plan 2014/15	31 August 2012	31 August 2012	31 Aug 2013	25 September 2013	Achieved	COGTA proposed that all Ugu District Municipality's await their MEC Comments, since they were not yet given to municipalities. Sector Departments must speed up responses to municipalities
		To submit 2011/2012 Annual Financial Statements	Date of submitted 2012/2013 Annual Financial statements	31 August 2012	31 August 2012	31 Aug 2013	August 2013	Achieved	
		Table 2013/2014 Adjustment budget	Date of Tabling 2013/14 adjustment budget	28 Feb 2013	28 Feb 2013	Jan 2014	Feb 2014	Achieved	
	To spend total revenue received from grants and subsidies	spend total revenue received from grants and subsidies	Percentage of revenue spent	n/a	n/a	100%	100%	Achieved	

Objective (as per IDP)	Strategies (as per IDP)	Indicators	Unit of Measure	2012/13 (target)	2012/13 (actual)	2013/14 (target)	2013/14 (actual)	Status Achieved / Not Achieved	Comments
	To allocate a percentage of the total budget allocated towards wages including benefits	To allocate a percentage of the total budget allocated towards wages including benefits	Percentage allocated	n/a	n/a	32%	24%	Achieved	
	To fully comply with section 71 & 72 of the MFMA	To fully comply with section 71 & 72 of the MFMA	Percentage of Compliance	n/a	n/a	100%	100%	Achieved	
	To Review the Valuation Roll	To Review the Valuation Roll	Date of complete review of the Valuation Roll	30 June 2013	30 June 2013	01 July 2013	01 July 2013	Achieved	
	Cost Coverage Ratio	Cost Coverage Ratio	Cost coverage ratio (no. of times)	n/a	n/a	12 times	2 times	Achieved	
	Debt Coverage ratio	Debt Coverage ratio	Debt coverage ratio (no. of times)	n/a	n/a	12 times	12 times	Achieved	
	To update the frequency of fixed assets and grants register	To update the frequency of fixed assets and grants register	Number of updates	30 June 2013	0	12	12	Achieved	
	To submit Audit records	To submit Audit records	Number of Internal Audits	n/a	n/a	4	4	Achieved	

Table 36: Outcome: Improved municipal financial and administrative capability

CHAPTER 4 - ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1. INTRODUCTION

The Human Resources Function consists of Human Resources Management (Personnel; Job Evaluation; Employee Relations; Employment Equity; Skills Development; Organizational Development; Occupational Health and Safety) and Human Resources Development, Skills Development and Organizational Development.

In order to acquire skills and the qualifications that will improve the quality of life of employees and the efficiency and effectiveness of the organization, the Vulamehlo Municipality, during 2013/2014, provided financial assistance for study to 2 employees, as part of a coordinated career development process, in support of the Skills Development Strategy, IDP & Sector Skills Priorities.

A Governance Support specialist was appointed to the Municipality from COGTA to assist with the development and review of a number of Organisational Development related Policies. The Policies have been work shopped with staff, and separately with Councillors and are in various stages towards adoption.

4.2. EMPLOYEE TOTALS (INCL. MANAGERS), TURNOVER AND VACANCIES

The table below details the number of employees at the beginning of the year, the number of approved posts, the number of employees at the end of the year and the vacancy rate.

Description	2012/2013	2013/2014			
	No. of Employees	Approved No. of Posts	No. of Employees	No. of Vacancies	% Vacancies
Corporate Services	26	29	27	2	7%
Finance	5	6	5	1	10.6%
Municipal Manager's Office	4	4	4	Nil	Nil
Technical Services	11	11	11	Nil	Nil
Total	49	50	47	3	6%

Table 37: Number of Employees and Approved Posts

4.3. VACANCIES AND TURNOVER

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate
2013/2014	49	4	12.25

Table 38: Turnover Rate

The staff turnover is not cause for concern as most have resigned for other opportunities elsewhere.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.4. INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Vulamehlo gave attention to human resource and organisational development policies, systems and procedures during the year. These were reviewed and/or developed with broad staff consultation and input prior to adoption for implementation.

4.5. HR POLICIES AND PLANS

Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
Affirmative Action	N/A		
Code of Conduct for employees	100	0	28/06/2013
Delegations, Authorisation & Responsibility			
Disciplinary Code and Procedures	0	0	Collective Agreement is used
Essential Services	N/A	0	
Employee Assistance / Wellness			
Employment Equity			
Termination and Exit Policy	100	0	28/06/2013
Grievance Procedures	0	0	Collective Agreement is used
HIV/Aids	50	0	Still in First Draft State
Human Resource Policy	100		
Information Technology			
Job Evaluation	N/A	N/A	
Leave	100	0	28/06/2013
Occupational Health and Safety	0	0	Still in First Draft State

Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
S & T Policy	100	0	28/06/2013
Bereavement and Funerals Policy	N/A		
Official Working Hours and Overtime	100	0	28/06/2013
Payroll Deductions	0	0	
Performance Management and Development			
Appointment Policy	100	0	28/06/2013
Acting Policy	100	0	28/06/2013
Resettlement	0	0	
Sexual Harassment	0	0	
Skills Development	0	0	
Smoking	N/A	N/A	
Special Skills	N/A	N/A	
Work Organisation	N/A	N/A	
Uniforms and Protective Clothing	N/A	N/A	

Table 39: HR Policies and Plans

4.6. WORKFORCE POLICY DEVELOPMENT:

During the year substantial focus was given to human resource policies, systems and procedures. The development of such was work shopped with staff and then with councillors prior to embarking on the approval process.

4.7. INJURIES, SICKNESS AND SUSPENSIONS

Salary band	Total sick leave Days	Employees using sick leave No.	Total employees in post No	average sick leave per Employees Days
Lower skilled (PA's, TLB Operators, Grader Operators, General Workers & Drivers)		14	14	
Skilled (Clerks & Cashiers)		5	5	
Highly skilled production levels (Officers)		9	9	
Highly skilled supervision		4	4	
MM and S57 (Senior Management)		3	4	
Total		35	36	

Table 40: Number of Sick Leave Days

Current system limitations in providing the financial values

4.7.1. Injury and sick leave

The leave policy, and procedures including approval, and monitoring were reviewed and improved upon during the year. This was done through consultation with staff to ensure awareness, understanding and commitment to the policy, systems and procedures. Monitoring procedures are included in the policy. During the financial year no injuries on duty were reported.

4.7.2. Suspensions and cases of financial misconduct

Vulamehlo had no cases or suspensions related to financial misconduct.

4.8. PERFORMANCE REWARDS

Vulamehlo does not have a performance rewards system implemented. An attempt was made previous years to implement such a system; it however, did not motivate staff but rather created unnecessary tensions.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.9. SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Manag ement level	Gend er	Emp loye es in post as at 30 June 2014	Number of skilled employees required and actual as at 30 June 2013											
		No.	Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			Actual 2012/ 2013	Actual 2013/ 2014	2013/ 2014 Targe t	Actual 2012/ 2013	Actual 2013/ 2014	2013/ 2014 Targe t	Actual 2012/ 2013	Actual 2013/ 2014	2013/ 2014 Targe t	Actual 2013/ 2014	Actual 2013/ 2014	2013/ 2014 Targe t
MM and S57	Femal e		1	1	1	1			1	1	1	1		1
	Male								3	3	3	3		3
Counci llors, senor official s and manag ers	Femal e								8	8	8	8		
	Male								12	12	12	12		

Table 41: Skills Development and Training

Financial Competency Development: Progress report						
Description	A. Total number of officials employed by the Municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1					
Chief financial officer	1					
Senior Managers	2					
Any other Financial officials						
Supply Chain Management Officials						
Heads of supply chain management units						
Supply Chain Management Senior managers						
Total						
<i>This is a statutory report under local government MFMA competency regulations (June 2007)</i>						

Skills Development Expenditure									
Management Level	Gender	Original Budget and Actual Expenditure on skills development							
		Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		Original Budget	Actual	Original budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female								
	Male								
Legislators, senior officials and managers	Female								
	Male								
Technicians and associate professionals	Female								
	Male								
Professionals	Female								
	Male								
Clerks	Female								
	Male								
Service and sales workers	Female								
	Male								
Plant and machine operators	Female								
	Male								
Elementary occupations	Female								
	Male								
Sub Total									
<i>% and Rand value of Municipal salaries (Original budget) allocated for workplace skills plan</i>									

Table 42: Skills Development Expenditure

4.10. SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

The importance of skills development in an area like Vulamehlo cannot be emphasised enough. Skills development should also be accompanied by business advisory services and access to finance. At the moment, skills development is taking place on an ad hoc basis with the district municipality co-ordinating various initiatives.

Clearly there is a need for a skills development strategy. The municipality has also considered having an enterprise information centre but at this stage it will be difficult for the municipality to sustain it. However SEDA has also approached the municipality with a view to extending its services to Vulamehlo. The model to be adopted in going about rolling out this service is yet to be confirmed between the parties involved.

The LED Plan has also identified a need for the establishment of a Training Centre and Agricultural Hub in order to capacitate emerging framers and get well established farmers to assist the new entrants in the sector.

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.11. EMPLOYEE EXPENDITURE

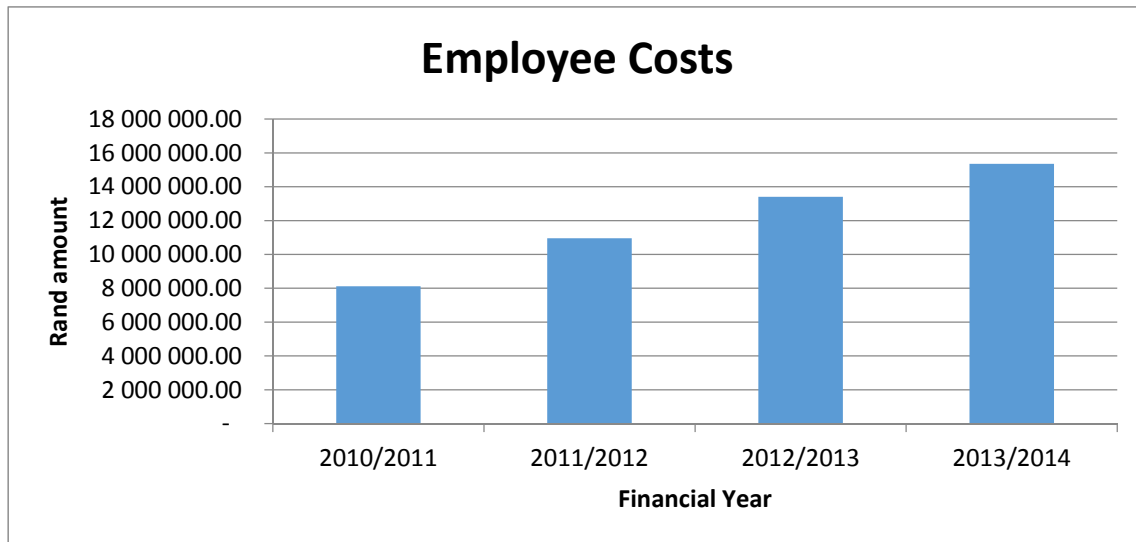


Figure 17: Employee Expenditure from 2010 to 2014

Vulamehlo has no employees whose salaries were increased due to their positions being upgraded, nor are there any employees whose salary levels exceed the grade determined by job evaluation, nor are there any employees appointed to posts not approved. All appointments are in accordance with policy which requires appointments to be against budgeted posts on the organogram.

4.12. DISCLOSURES OF FINANCIAL INTERESTS

All disclosures made by officials and councillors concerning financial interests have been recorded as per PM Regulations 805 and are set out in Appendix J.

CHAPTER 5 - FINANCIAL PERFORMANCE

5.1. INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

During the financial year the municipality used the services of the following consultants. These consultants have been appointed due to the lack of skills within the municipality and the specialised nature of the work required to be performed.

Detailed below are the top 5 contractors utilised for capital projects:

Name of Consultant	Nature of Work Performed	2012/2013	2013/2014
Siqu Consulting	Project managers for road constructions	553 838.46	
Bele Development	Project managers for road constructions	191 920.54	
Masekhekulunge Project Manager	Project managers for road constructions	321 801.61	
Impande Engineers	Project managers for road constructions	112 503.46	
Ngcolosi Consulting Engineers	Project managers for Mfume Sportsfield		800 575
Impande Engineers	Project managers for Ngwadini Sportsfield		779 268
Siqu Consulting	Project managers for Mistake Farm		595 357
Masakhekulunge Project Managers	Project managers for Skills Centre		623 764
Masakhekulunge Project Managers	Project managers for Dumayo Hall		399 000

Table 43: Project managers for capital projects

Detailed below are the top 5 consultants utilised for administrative purposes

Name of Consultant	Nature of Work Performed	2012/2013	2013/2014
Camelsa Consulting Group (PTY) LTD	Support of the financial system, PASTEL	671 123.71	872 242
KPMG Services (Pty) Ltd	Valuation of fixed assets		422 560
Mills Fitchet (Natal) Pty Ltd	Valuation roll maintenance		283 043
Ntshidi and Associates	Internal Audit		266 240
Access to Capital Consulting	Review of VAT		242 030

Table 44: Consultants for administration

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.2. STATEMENTS OF FINANCIAL PERFORMANCE

Financial Performance

Description	Year 2013/2014											Year 2012/2013			
	Original Budget	Budget Adjustments (i.r.o. S28 and S31 of the MFMA)	Final adjustments budget	Shifting of Funds (i.r.o. S31 of the MFMA)	Virement (i.r.o. Council approval policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to the recovered	Restated Audited Outcome
Property rates	2 243 890		2 243 890			2 243 890	2 236 507		(7 383)	99%	99%				
Investment revenue	300 000	350 000	650 000			650 000	856 364		206 364	131 %	285%				
Transfers recognised - operational	41 553 000		41 553 000			41 553 000	45 054 799		3 501 799	108%	108%				
Other own revenue	1 431 001	3 187 000	4 618 001			4 618 001	395 640		(4 222 361)	9%	28%				
Total Revenue (excluding capital transfers and contributions)	45 527 891	3 537 000	49 064 891			49 064 891	48 543 310		521 381	98%	107%				
Employee costs	(16 206 000)	183 000	(16 023 000)		(174 565)	(16 197 565)	(15 355 388)		842 177	95%	95%				
Remuneration of councillors	(7 080 000)	(826 000)	(7 906 000)		500 033	(7 405 967)	(6 683 911)		722 056	90%	94%				
Debt impairment	0	(1,000,000)	(1,000,000)		782 500	(217 500)	(62 028)		155 472	29%	0%				
Depreciation & asset impairment	(13 000 000)		(13 000 000)			(13 000 000)	(15 497 808)		(2 497 808)	119%	119%				
Finance charges	0	(445 472)	(445 472)			(445 472)	(299 429)		146 043	67%	0%				
Repairs & Maintenance	(754 000)	(28 251)	(782 251)			(782 251)	(638 584)		143 667	82%	85%				
Materials and bulk purchases	(654 000)	0	(654 000)			(654 000)	0		654 000	0%	0%				
Transfers and grants	0	(11 442 000)	(11 442 000)		4 074 721	(7 367 279)	(7 995 302)		(628 023)	109%	0%				

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Description	Year 2013/2014											Year 2012/2013			
	Original Budget	Budget Adjustments (i.r.o. S28 and s31 of the MFMA)	Final adjustments budget	Shifting of Funds (i.r.o s31 of the MFMA)	Virement (i.r.o. Council approval policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to the recovered	Restated Audited Outcome
			000)												
Other expenditure General	(21 588 000)		(21 588 000)		5 196 642	(16 391 358)	(15 267 802)		1 123 556	93%	71%				
Total Expenditure	(59 282 000)	(13 558 723)	(72 840 723)		10 379 331	(62 461 392)	(61 800 252)		661 140	99%	104%				
Surplus/(Deficit)	(13 754 109)	(10 021 723)	(23 775 832)		10 379 331	(13 396 501)	(13 256 942)								
Transfers recognised - capital	23 614 000		23 614 000			23 614 000	21 798 850		1 815 150	92%	92%				
Contributions recognised - capital & contributed assets															
Surplus/(Deficit) after capital transfers & contributions	9 859 891	(10 021 723)	(161 832)		10 379 331	10 217 499	8 541 908		(1 675 597)	84%	87%				
Loss on disposal of assets	0	0	0	0	0	0	(21 633)		(21 633)	0%	0%				
Surplus/(Deficit) for the year	9 859 891	(10 021 723)	(161 832)		10 379 331	10 217 499	8 520 275		(1 697 220)	83%	86%				
Capital expenditure & funds sources						0			0						
Capital expenditure	(23 536 000)	(8 378 000)	(31 914 000)			(31 914 000)	(20 536 842)		11 377 158						
Transfers recognised - capital	22 536 000	6 063 000	28 599 000												
Public contributions & donations															
Borrowing		1 000 000	1 000 000												
Internally generated funds		2 316 000	2 316 000												

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Description	Year 2013/2014											Year 2012/2013			
	Original Budget	Budget Adjustments (i.r.o. S28 and s31 of the MFMA)	Final adjustments budget	Shifting of Funds (i.r.o s31 of the MFMA)	Virement (i.r.o. Council approval policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to the recovered	Restated Audited Outcome
Total sources of capital funds	22 536 000	9 378 000	31 914 000			31 914 000	20 536 000		11 377 158						
Cash flows															
Net cash from (used) operating	29 970 000	6 598 000	36 568 000			36 568 000	16 046 602								
Net cash from (used) investing	(28 614 000)		(28 614 000)			(28 614 000)	(19 506 806)								
Net cash from (used) financing	(244 000)		(244 000)			(244 000)	(547 832)								
Cash/cash equivalents at the year end	3 015 000	6 599 000	9 614 000			9 614 000	8 773 059								

Table 45: Statements of Financial Performance

Financial Performance of Operational Services						
Description	Year 2012/2013	Year 2013/2014			Year 2013/2014 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget %	Adjustments Budget %
Operating Cost						
Water	0	0		0		0
Waste Water (Sanitation)	0	0		0		0
Electricity	0	0		0		0
Waste Management	0	0		0		0
Housing - Human Settlement	0	0		0		0
Component A: sub-total	0	0		0		0
Waste Water (Stormwater Drainage)	0	0		0		0
Roads	0	0		0		0
Transport	0	0		0		0
Component B: sub-total	0	0		0		0
Planning	0	0		0		0
Local Economic Development	0	0		0		0
Component B: sub-total	0	0		0		0
Planning (Strategic & Regulatory)	0	0		0		0
Local Economic Development	0	0		0		0
Component C: sub-total	0	0		0		0
Community & Social Services	0	0		0		0
Environmental Protection	0	0		0		0
Health	0	0		0		0
Security and Safety	0	0		0		0
Sport and Recreation	150 000	0		0		0
Corporate Policy Offices and Other	0	0		0		0
Component D: sub-total	0	0		0		0
Total Expenditure	150 000	0		0		0

Table 46: Financial performance of operational services

5.3. FINANCIAL PERFORMANCE:

Refer to appendix E (1) of the AFS

5.4. GRANTS

The table below details the new grants budgeted for, the grants rolled over from the prior year and the actual spend during the year.

	Grant Performance						
	Year 2012/2013		Year 2013/2014			Year 2013/2014 Variance	
Description	Actual	Original Budget	Adjustments Budget	Funds rolled over from prior year	Actual	Original Budget %	Adjustme nts Budget %
Equitable share	35 481 000	40 580 000	40 580 000	0	34 172 000		
Municipal Systems Improvement Grant	801 008	890 000	890 000	0	890 000		
Financial Management Grant	1 383 551	1 650 000	1 650 000	116 538	1 766 538		
Municipal Infrastructure Grant	11 568 150	16 959 000	16 959 000	4 839 850	21 798 850		
Integrated National Electrification Grant	5 228 910	5 000 000	5 000 000	1 222 758	4 555 579		
KZN Human Settlements	1 042 988			1 106 469	1 106 469		
DLGTA – Anti corruption grant	0			125 205	102 664		
LGSeta Grant	17 004			33 453	33 453	-	-
Thusong Centre Management Grant	242 803			103 295	103 295	-	-
KZN Sports and Recreation	58 297			673 416	61 100	-	-
Cogta-Disaster Management	0			2 900 000	2 251 763	-	106%
Other transfers/grants	0	88 000	88 000	54 746	11 938	-	-
Review of LED Strategy	274 417			120 170	-	-	-
Municipal and Government Admin	25 968		-	-	-	-	-
Total Transfers and Grants	56 124 096	65 167 000	65 167 000	10 155 978	66 853 649	100%	88%

Table 47: Grant Performance

There were no new grants received in the current year other than the grants from National Departments in accordance with DORA.

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2012/2013	Actual Grant 2013/2014	2013/2014 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals		0				
Municipalities		0				
Provincial Government	16 976	0				
Foreign Governments/Development Aid Agencies		0				
Private Sector / Organisations		0				

Table 48: Grants Received from Sources other than Division of Revenue Act

5.5. CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

Grants received in the financial year 2012/13, but which were unspent as at 30 June 2013 was roll-over in the 2013/14 financial year. The net effect of receipts, expenditure and roll-overs in the financial year 2013/2014 will be reflected as unspent Grants and disclosed under liabilities in the Financial Statements. The purpose for such disclosure is these grants are conditional. They were transferred to the municipality to be utilised for their intended purpose. If at any point these grants are not utilised they will need to be paid back to the Donor. The Municipality has committed the unspent portion in the 2013/14 to be utilised in the 2014/15 financial for these projects or expenditure:

5.6. ASSET MANAGEMENT

The municipality has an approved asset management policy and asset procedure manual. Detailed below are some of the key elements of the asset management policy.

Asset acquisitions

All assets to be purchased should be in terms of the approved budget by the council, and the requisition should be approved by the HOD's.

Asset management

All assets must be secured, insured, verified, properly depreciated, recovered and properly recorded from time to time.

Assets disposal

All assets which are regarded as obsolete and has lost economic value to the municipality should be disposed in a public tender, donated, written off.

Summary of asset management responsibilities

The table below summarises the responsible departments, specific employee designations and structure's referred to (explicitly or implied) in the various sections, who are responsible for asset management.

Department	Corporate	Finance	Technical	Office of the MM	HOD	CFO	Municipal Manager	Council
Budget process	✓	✓	✓	✓				
Acquisition of assets	✓	✓	✓	✓				
Disposal of assets		✓			✓	✓	✓	✓
Departmental transfers of assets	✓	✓	✓	✓	✓	✓	✓	
Resignations (H R)	✓							
Identification of assets	✓	✓	✓	✓	✓	✓	✓	
Verification of assets		✓						
Safekeeping of assets	✓	✓	✓	✓	✓	✓	✓	
Alienation of assets		✓						✓
Reporting write-offs of assets		✓			✓	✓	✓	
Maintenance					✓	✓	✓	
Private use of municipal assets					✓	✓	✓	
Replacement norms					✓	✓	✓	
Insurance of assets	✓	✓						
Biological assets					✓	✓	✓	

The municipality has introduced scanning devices to assist with the physical verification of the assets. All movable assets were physically verified for the 2013/2014 financial year

The majority of the capital spend relates to infrastructure projects funded from conditional grants. The 5 major infrastructure projects undertaken for the year is documented in section 5.11. Detailed below are the top 3 other assets purchased during the 2013/2014 financial year.

Treatment of the three largest assets acquired year 2013/2014			
	Asset 1	Asset 2	Asset 3
Name	Tractor Loader	Uninterrupted Power Supply for the Server	Switches for network
Description	Bell TLB 315SK 4X4 BELL MKI 2013	ME 10000-GTU-10KVA Online Tower UPS	CISCO SWITCH-CS.WS-C3750G-24PS
Asset Type	Plant and Equipment 10 Years	Computer Equipment 5 Years	Computer Equipment 5 Years
Asset Value	670,000	121,500	119,515
Capital Implications	Once off purchase. Will need to be replaced once obsolete or damaged. Useful life is 10 years	Once off purchase. Will need to be replaced once obsolete or damaged. Useful life is 5 years	Once off purchase. Will need to be replaced once obsolete or damaged. Useful life is 5 years
Future Purpose of Asset	Used for road maintenance and repairs	Support of IT infrastructure	Support of IT infrastructure
Policies in Place to Manage Asset	Asset management policy	Asset management policy	Asset management policy

Table 49: Treatment of Three Largest assets Acquired 2013/2014

Detailed below is the expenditure incurred on repairs and maintenance.

Repair and Maintenance Expenditure: 2013/2014				
	Original Budget	Adjustment Budget	Actual	Budget variance
Computer Equipment/BTO	22 387	-	1 754	20 633
Computer Equipment/Corporate Services	10 114	-	8 927	1 187
Motor Vehicles/Corporate Services	150 000	-	80 012	69 988
Office Buildings/Technical Services	140 000	-	135 889	4 111
Office Equipment/Corporate Services	5 000	-	666	4 334
Office Furniture and Fittings/Corporate Services	21 750	-	21 730	20
Repairing of halls	200 000	-	143 850	56 150
Maintenance Corporate Services	233 000	-	231 304	1 696
Renovation of Finance Department	0	-	14 452	-14 452
Total	782 251	0	638 584	143 667

Table 50: Repairs and Maintenance Expenditure 2013/2014

5.7. FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.7.1. Liquidity Ratio

The table below shows the current assets and current liabilities as per the audited financial statements and the liquidity ratio.

	2011/2012	2012/2013	2013/2014
	7 025 190	19 588 623	17 723 412
Current Liabilities		16 984 528	10 531 929
Liquidity Ratio	Current Assets	1.15:1	1.68:1

Table 51: Liquidity Ratio

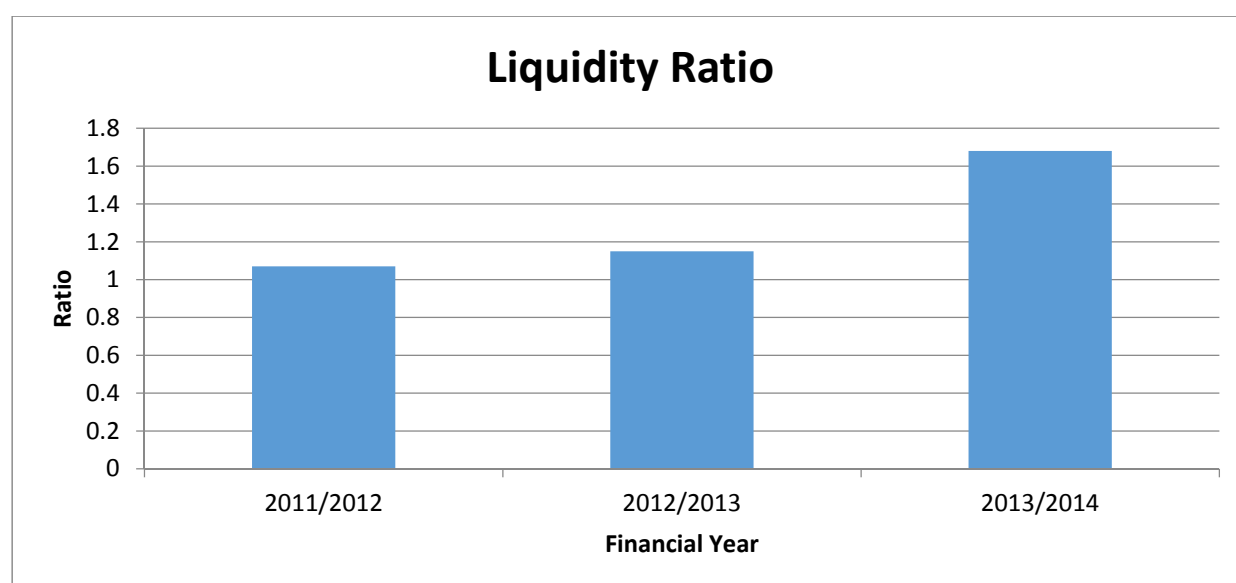


Figure 18: Liquidity Ratio

The liquidity ratio is calculated on the basis of current assets divided by current liabilities. The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

The liquidity ratio has improved from 2012/2013 to 2013/2014 due to the decrease in the unspent conditional grant at the year end and the decrease in the finance lease liability and no new finance leases or borrowings.

5.7.2. Outstanding Debtors to Revenue

The table below shows the gross outstanding rates debtors and rates revenue as per the audited financial statements. These amounts are used to calculate the outstanding debtors to revenue ratio.

	2011/2012	2012/2013	2013/2014
Gross Outstanding Service Debtors	1 152 917	2 482 702	3 513 433
Revenue	1 487 113	1 824 183	2 236 507
Outstanding Rates Debtors to Rates Revenue	78%	136%	157%

Table 52: Outstanding Debtors to Revenue

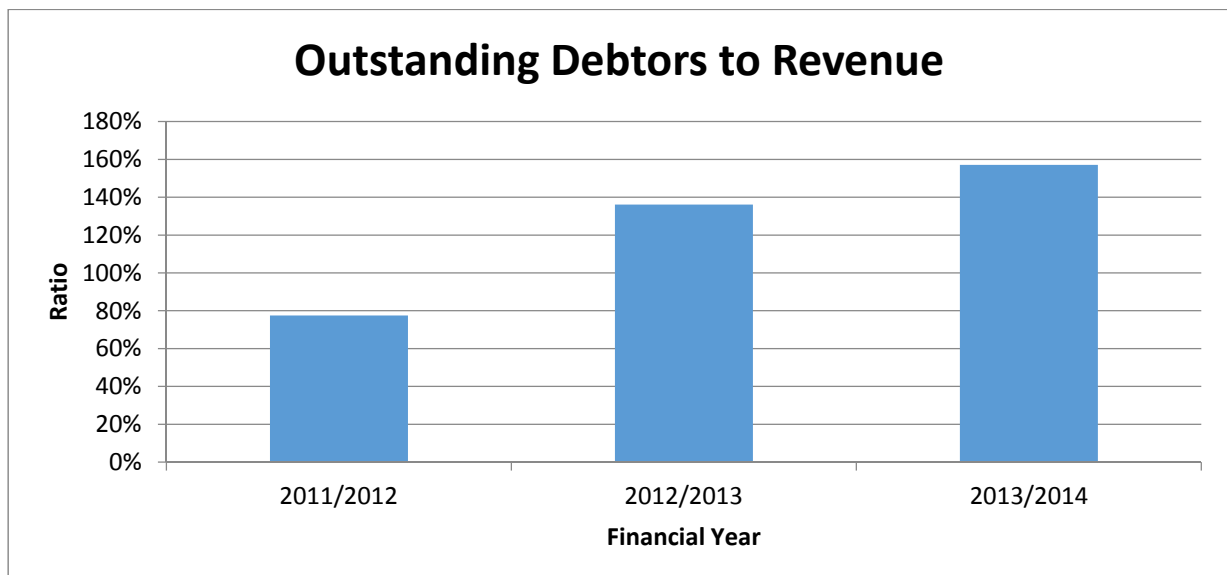


Figure 19: Outstanding Debtors to Revenue

The outstanding service debtors to revenue ratio measures how much money is still owed by the community for services rendered compared to how much has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

From the above graph it is clearly noted that the municipality has a problem with the payment of the rates debt by the communities. This ratio is growing and approximately 1 ½ years of revenue is unpaid, indicating long outstanding debtors which will have a negative impact on the cashflow of the municipality in the short to medium term.

5.7.3. Employee costs as a% of operating revenue

	2011/2012	2012/2013	2013/2014
Employee costs as a % of operating revenue	43	43	45
Employee Costs	10 957 856	13 405 578	15 355 388
Remuneration of Councillors	5 153 714	6 665 319	6 683 911
Total Employee Costs	16 111 570	20 070 897	22 039 299
Operating Revenue	37,601,926	46 348 575	48 543 310

Table 53: Employee costs and operating revenue

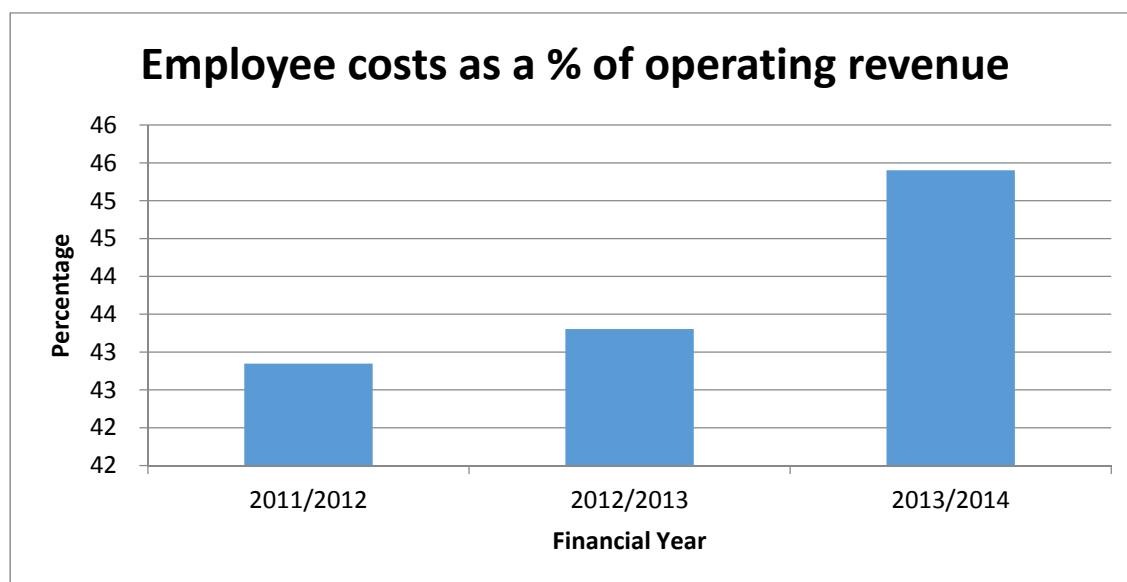


Figure 20: Outstanding Debtors to Revenue

This ratio measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee costs by the operating revenue, capital revenue is excluded. The percentage spent on employee costs has been steadily increasing over the last 3 financial years.

5.7.4. Repairs and maintenance as a% of operating expenditure

	2011/2012	2012/2013	2013/2014
Repairs and maintenance as a % of operating expenditure	1.50	1.98	1.03
Repairs and maintenance	610 053	1 088 963	638 584
Operating Expenditure	40 688 525	55 056 334	61 800 252

Table 54: Repairs and maintenance and operating expenditure

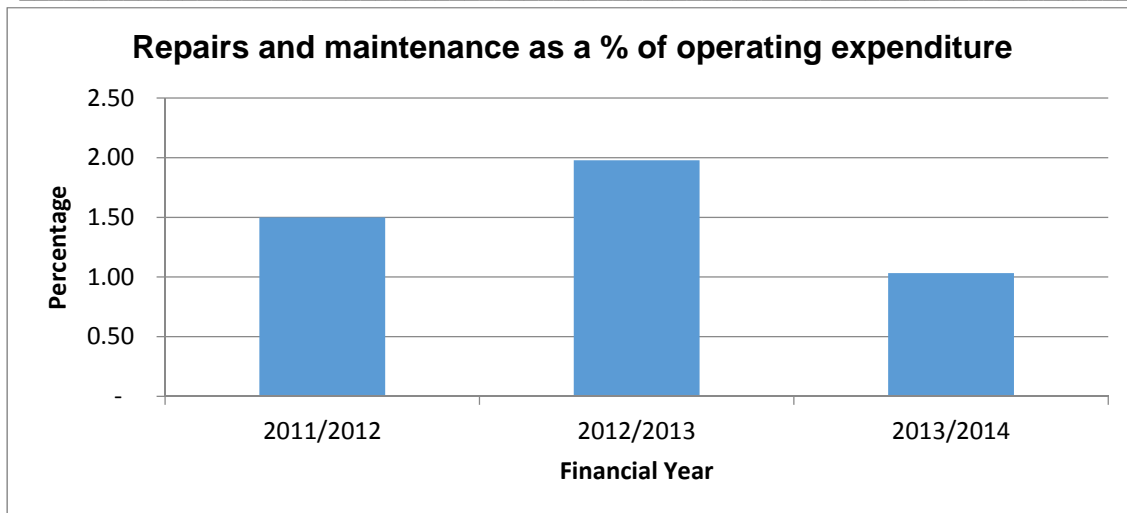


Figure 21: Repairs and maintenance as a % of operating expenditure

The percentage spent on repairs and maintenance and decreased from the prior financial year. It is critical for the municipality to maintain its assets in particular the infrastructure assets. The amount spent on repairs and maintenance will fluctuate from year to year as this is dependent on the condition of the assets and the schedule of planned maintenance.

5.7.5. Finance charges as a% of operating expenditure

	2011/2012	2012/2013	2013/2014
Finance Charges as a % of operating expenditure	1.01	0.60	0.48
Interest	410,760.00	330 368	299 429
Operating Expenditure	40 688 525	55 056 334	61 800 252

Table 55: Finance charges and operating expenditure

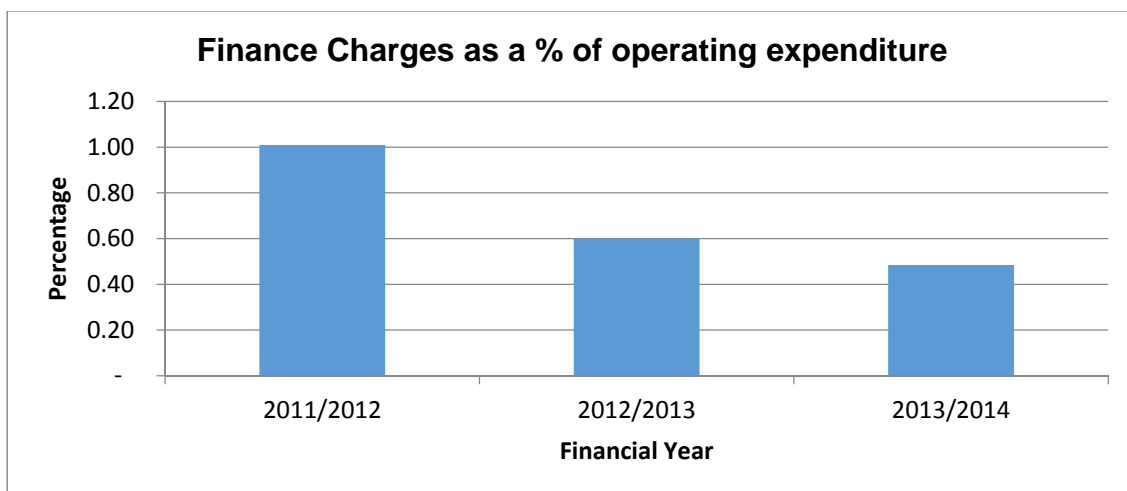


Figure 22: Finance charges as a % of operating expenditure

Capital Charges to Operating Expenditure is the cost required to service external interest on borrowings.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.8. INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Component B deals with capital spending indicating where the funding originates from and whether Municipality is able to spend the available funding as planned. Capital expenditure relates mainly to construction projects that will have value spanning over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses.

As per below schedule our capital expenditure was funded by Grants. The capital projects related to the construction of roads, bridges, skills centre, electrification and sport-grounds.

5.9. CAPITAL EXPENDITURE

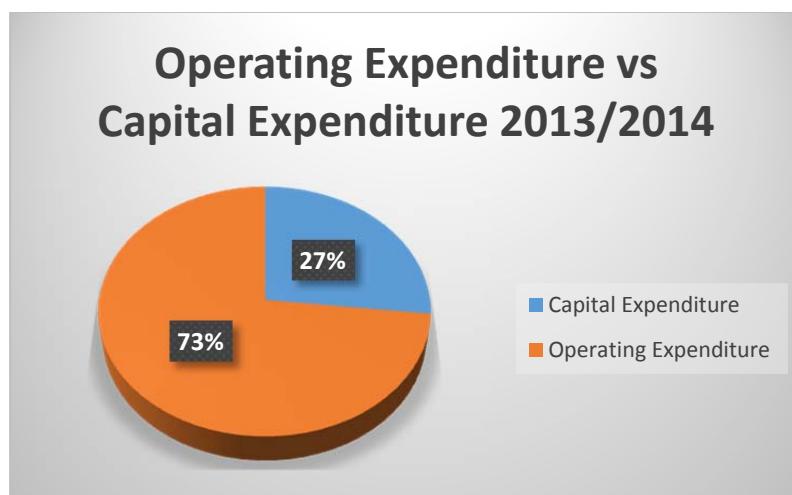


Figure 23: Capital Expenditure

5.10. SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2012/2013 to 2013/2014						
	2012/2013	2013/2014				
Details	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
<i>Source of finance</i>						
External loans	0.00	0.00	1 000 000		0%	0%
Public contributions and donations	0.00					
Grants and subsidies	11 568 150.00	22 536 000	28 599 000	21 798 850	127%	97%
Other - Internally generated	0.00	0.00	2 316 000		0%	0%
Total	11 568 150.00	22 536 000	31 914 000	21 798 850	141%	97%
<i>Percentage of finance</i>						
External loans	0.00	0.00	0.00	0.00	0.00	0.00
Public contributions and donations	0.00	0.00	0.00	0.00	0.00	0.00
Grants and subsidies	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00
Capital expenditure	70.50	91.00	71.00	0.00	0.00	0.00
Water and sanitation	0.00	0.00	0.00	0.00	0.00	0.00
Electricity	0.00	0.00	0.00	0.00	0.00	0.00
Housing	0.00	0.00	0.00	0.00	0.00	0.00
Roads and storm water	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00
Total	70.50	91.00	71.00	0.00	0.00	0.00
<i>Percentage of expenditure</i>						
Water and sanitation	0.00	0.00	0.00	0.00	0.00	0.00
Electricity	0.00	0.00	0.00	0.00	0.00	0.00
Housing	0.00	0.00	0.00	0.00	0.00	0.00
Roads and storm water	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00

Table 56: Capital Expenditure Funding sources 2012 - 2014

5.11. CAPITAL SPENDING ON 5 LARGEST PROJECTS

Detailed below are the 5 largest infrastructure capital projects undertaken by the municipality during the 2013/2014 financial year.

Capital Expenditure of 5 largest projects*					
	Current: 2013/2014			Variance: 2013/2014	
Name of Project	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Mistake farm access road	R 1 900 000	R 3 876 500	R 4 453 371	234%	115
B - Dumayo Hall	R 3 191 050	R 2 840 674	R 1 601 691	50%	56
C - Design of skills centre	R 3 515 000	R 3 418 510	R 4 209 055	120%	123
D - Ngwadini sportfield	R 3 705 000	R 3 416 808	R 4 589 867	124%	134
E - Mfume sportfield	R 3 800 000	R 4 814 047	R 5 274 325	139%	109

Table 57: Capital Expenditure 5 largest projects

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.12. CASH FLOW

Importance of Cash Flow Management

The importance of cash flow management is to ensure that there is sound financial management.

Municipality Approach to Cash Flow Statement

Cash Flow from Operating Activity

Our municipality is 90% dependent on grant funding yet it is expected to full-fill the constitutional mandate. In addition to our financial constraints, we are performing an unfunded mandate by providing water services which is a district function.

Cash Flow from Investing Activity

The capital investment in infrastructure does not generate revenue but instead it is incurred to provide a service potential to the communities and to the municipality. The surplus cash is invested in bank deposits which are disclosed as cash and cash equivalents.

Cash Flow from Financing Activity

Our approach of leasing plant and vehicle was proven to be effective because it helped the municipality to improve cash viability.

Cash Flow Outcomes				
Description	2012/2013	2013/2014		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	1 561 715	7 918 000	11 267 000	1 505 714
Government - operating	46 890 963	42 676 000	45 576 000	42 566 611
Government - capital	16 408 000	23 614 000	23 614 000	16 959 000
Interest	482 072	300 000	650 000	856 364
Payments				
Suppliers and employees	(42 185 021)	(44 179 000)	(44 179 000)	(45 541 658)
Finance charges	(330 368)	(360 000)	(360 000)	(299 429)
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	22 827 361	29 970 000	36 568 000	16 046 602
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	808 379	0	0	33 000
Decrease (increase) other non-current receivables	387 491	1 000 000	1 000 000	0
Decrease (increase) in non-current investments	0	(6 000 000)	(6 000 000)	0
Payments				
Purchase of intangible assets	(5 515)			(13 165)
Capital assets	(13 846 567)	(23 614 000)	(23 614 000)	(19 525 641)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(12 656 212)	(28 614 000)	(28 614 000)	(19 505 806)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans		(744 000)	(744 000)	0
Borrowing long term/refinancing	(1 659 718)	1 000 000	1 000 000	(547 832)
Increase (decrease) in consumer deposits				
Payments				
Repayment of Finance Charges		(500 000)	(500 000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 659 718)	(244 000)	(244 000)	(547 832)
NET INCREASE/ (DECREASE) IN CASH HELD	8 511 431	1 111 000	7 710 000	(4 007 036)
Cash/cash equivalents at the year begin:	4 268 664	1 904 000	1 904 000	12 780 095
Cash/cash equivalents at the yearend:	12 780 095	3 015 000	9 614 000	8 773 059

Table 58: Cash Flow Outcomes

5.13. BORROWING AND INVESTMENTS

Borrowing

The borrowings on the schedule below comprises of financial leases entered into to acquire plant and vehicle. There are no other long term borrowings. The short term borrowings consists of normal trade payables.

Actual Borrowings: 2011/2012 to 2013/2014			
Instrument	2011/2012	2012/2013	2013/2014
Long-Term Loans (annuity/reducing balance)	0.00	0.00	0.00
Long-Term Loans (non-annuity)	0.00	0.00	0.00
Local registered stock	0.00	0.00	0.00
Instalment Credit	0.00	0.00	0.00
Financial Leases	3 568 980	1 909 264	1 361 432
PPP liabilities	0.00	0.00	0.00
Finance Granted By Cap Equipment Supplier	0.00	0.00	0.00
Marketable Bonds	0.00	0.00	0.00
Non-Marketable Bonds	0.00	0.00	0.00
Bankers Acceptances	0.00	0.00	0.00
Financial derivatives	0.00	0.00	0.00
Other Securities	0.00	0.00	0.00
Total	3 568 980	1 909 264	1 361 432

Table 59: Actual Borrowings: 2012 to 2014

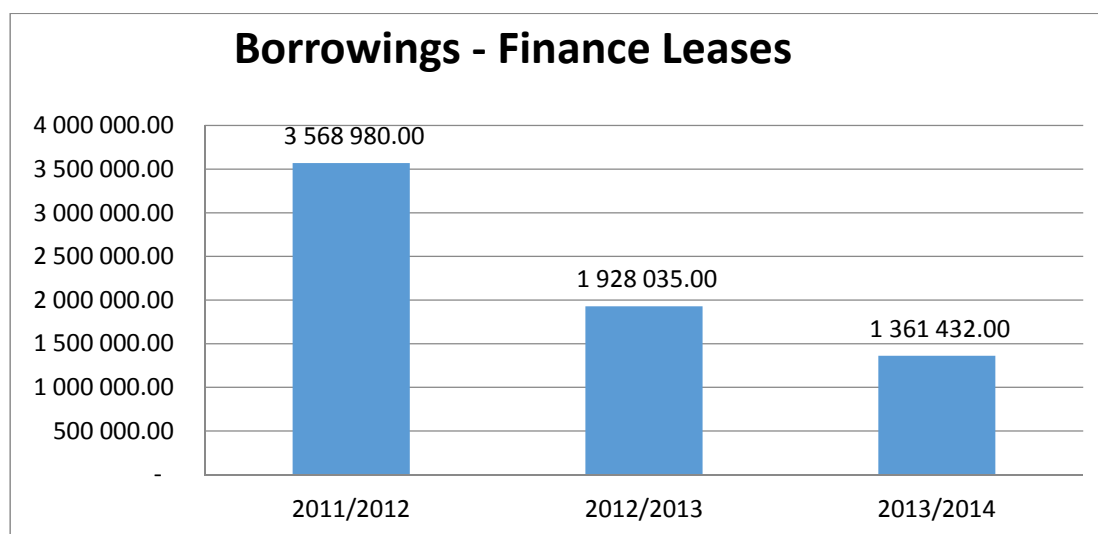


Figure 24: Actual Borrowings: 2012 to 2014

Investments

The surplus cash is invested in bank deposits which are disclosed as cash and cash equivalents. No other investments are undertaken by the municipality.

Municipal Investments			
Instrument	2011/2012	2012/2013	2013/2014
Securities - National Government	0.00	0.00	0.00
Listed Corporate Bonds	0.00	0.00	0.00
Deposits - Bank	3 126 325	9 515 560	8 521 750
Deposits - Public Investment Commissioners	0.00	0.00	0.00
Deposits - Corporation for Public Deposits	0.00	0.00	0.00
Bankers Acceptance Certificates	0.00	0.00	0.00
Negotiable Certificates of Deposit - Banks	0.00	0.00	0.00
Guaranteed Endowment Policies (sinking)	0.00	0.00	0.00
Repurchase Agreements - Banks	0.00	0.00	0.00
Municipal Bonds	0.00	0.00	0.00
Other	0.00	0.00	0.00
Total	3 126 325	9 515 560	8 521 750

Table 60: Investments 2012 to 2014

5.14. PUBLIC PRIVATE PARTNERSHIPS

The municipality does not have PPP agreements, contract and projects.

COMPONENT D: OTHER FINANCIAL MATTERS

5.15. SUPPLY CHAIN MANAGEMENT

On the current organisational structure there are no posts for supply chain management. However the finance staff are currently performing the SCM functions. There is an SCM policy which is being complied with. There is currently a lack of SCM skills as well as shortage of staff and this has resulted in a delay in the evaluation of tenders. Deviations from The SCM policy are forwarded to Council for ratification.

5.16. GRAP COMPLIANCE

The Annual Financial Statements was prepared in accordance with Generally Recognised Accounting Practice (GRAP) Standards issued by the Accounting Standards Board (ASB), in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act 56 of 2003).

CHAPTER 6 - AUDITOR GENERAL AUDIT FINDINGS

6.1. INTRODUCTION

Refer to the Annual Financial Statements set out in Volume II and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2012/2013

Auditor-General Report on Financial Performance: 2012/2013	
Audit Report Status*: Disclaimer	
Basis of Disclaimer	Remedial Action Taken
Insufficient audit evidence to audit the following due to the lack of supporting documentation: <ul style="list-style-type: none"> - Unspent conditional grants - Property plant and equipment - Payables from exchange transactions - General expenses from exchange transactions - Irregular expenditure - Commitments - Cashflow statement 	Audit evidence has been provided in the 2013/2014 financial year. The comparatives for 2013/2014 were accordingly adjusted.
Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)	
Auditor-General Report on Service Delivery Performance: 2012/2013	
Audit Report Status*:	
Matters raised	Remedial Action Taken
Performance measures not specific	This has been addressed in 2013/014
Performance targets not measurable	This has been addressed in 2013/014
Performance targets not time bound	This has been addressed in 2013/014
Reported performance not valid, accurate and complete	This has been addressed in 2013/014

Table 61: Auditor General Report 2012/2013

COMPONENT B: AUDITOR-GENERAL OPINION 2013/2014 (CURRENT YEAR)

Auditor-General Report on Financial Performance: 2013/2014	
Audit Report Status*: Qualified	
Basis of Qualification	Remedial Action Taken
The municipality disclosed capital commitments that were not based on contractual obligations. Consequently, capital commitments were overstated by R4,98 million	Refer to attached audit action plan
Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)	
Auditor-General Report on Service Delivery Performance: 2012/2013	
Audit Report Status*:	
Matters raised	Remedial Action Taken
Basic service delivery and infrastructure development : Significantly important targets were not reliable when compared to the source information or evidence provided.	This will be addressed in 2014/2015
Good governance and public participation Adequate and reliable corroborating evidence could not be provided for 72% of the targets to assess the validity, accuracy and completeness of the reported performance information.	This will be addressed in 2014/2015

Table 62: Auditor General Report 2012/2013

Refer to Appendix T for the detailed Report of the Auditor General.

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2013/2014	Recommendations adopted (enter Yes) If not adopted (provide explanation)
See appendix G		

Table 63: Municipal Audit Committee Recommendations

6.2. MFMA SECTION 71 RESPONSIBILITIES

In compliance with Section 71 of the MFMA, municipalities are required to return a series of financial performance data to the National Treasury at specified intervals throughout the year.

The Chief Financial Officer herewith confirms that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved –means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are <i>"what we use to do the work"</i> . They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> ▪ Service delivery & infrastructure ▪ Economic development ▪ Municipal transformation and institutional development ▪ Financial viability and management ▪ Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are <i>"what we wish to achieve"</i> .
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as <i>"what we produce or deliver"</i> . An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
	which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

Table 64: Glossary

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Party Represented	Ward Represented	Council members	Full Time / Part	Committee Allocated	No. of Council meetings attended	No. of apologies for non-attendance
ANC	PR1 - Councillor	NP Mpanza Deputy Mayor (EXCO)	FT	Corporate Services Portfolio- Chairperson, Executive Committee	(05) Corporate (05) EXCO	(0) Corporate (02) EXCO
ANC	PR2 - Councillor	T Muthwa	PT	LED Portfolio Committee	(04)	(01)
ANC	PR3 - Councillor	DMM Hlengwa Speaker (Ex-Officio)	FT	LED Portfolio Committee & Council - Chairperson	(04)	(01)
ANC	PR4 - Councillor	Councillor W.T. Dube The Mayor (EXCO)	FT	FBM Portfolio Committee and Executive – Chairperson for both	(05) FBM (06) EXCO	(0) FBM (01) EXCO
ANC	Ward 1	Councillor L.L. Kweyama	PT	FBM Portfolio Committee	(05)	(0)
ANC	Ward 2	Councillor P. Dlamini	PT	Infrastructure Planning Portfolio Committee	(04)	(0)
ANC	Ward 3	Councillor AB Ndlovu	PT	FBM Portfolio Committee	(03)	(0) elected in May
NFP	Ward 4	Councillor F.B. Shezi	PT	Infrastructure Planning Portfolio Committee	(03)	(01)
ANC	Ward 5	Councillor M.A. Ntombela	PT	Infrastructure Planning Portfolio Committee	(03)	(01)
ANC	Ward 6	Councillor B.C. Mngadi	PT	Corporate Services Portfolio Committee	(04)	(01)
ANC	Ward 7	Councillor Z. Hlongwa	PT	Corporate Services Portfolio Committee	(05)	(0)
ANC	Ward 8	Councillor G.Z. Jwara	PT	LED Portfolio Committee	(04)	(01)
ANC	Ward 9	Councillor M.C. Ngcobo	PT	Infrastructure Planning Portfolio Committee	(03)	(01)
ANC	Ward 10	Councillor M.D. Ncwane (EXCO)	PT	Infrastructure Portfolio Committee, Exco Member	(04)INFRASTR UCTURE (05) EXCO	(0) (01) EXCO

Party Represented	Ward Represented	Council members	Full Time / Part	Committee Allocated	No. of Council meetings attended	No. of apologies for non-attendance
IFP	PR1 – Councillor	Councillor TP Phetha-Mchunu	PT	Corporate Service Portfolio Committees	(03)	(02)
NFP	PR1 – Councillor	BC Mgadi (EXCO)	FT	LED Portfolio Committee – Chairperson, Exco	(04) LED (07) EXCO	(01) LED (0) EXCO
NFP	PR2 – Councillor	NR Dlamini	PT	Corporate Services Portfolio Committee	(04)	(01)
NFP	PR3 – Councillor	AS Mchunu	PT	FBM Portfolio Committee	(04)	(01)
NFP	PR4 – Councillor	BG Myeza	PT	LED Portfolio Committee	(05)	(0)
IFP	PR1 – Councillor	Duma	PT	FBM Portfolio Committee	(05)	(0)

Table 65: Councillors, Committees Allocated and Council attendance

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (Other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Finance, Budget and Monitoring Committee	Consider all budget, finance and related matters and make recommendations to Exco.
Local Economic Development Committee	Consider all social and economic development matters and make recommendations to Exco.
Infrastructure and Planning Committee	Consider all infrastructure and planning related matters and make recommendations to Exco.
Corporate Services Committee	Consider all organisational development, corporate and auxiliary related matters and make recommendations to Exco

Table 66: Committees (Other than Mayoral / Executive Committee)

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Tier 1	
Directorate	Director / Manager (State Title and Name)
Office of the Municipal Manager	Municipal Manager; Mr M Zulu
Tier 2	
Finance	Chief Financial Officer; Mr. TS. Kwela
Administration	General Manager Corporate Services; Z. Majola
Technical Services	General manager Technical Services; S. Mkhize
Tier 3	
Office of Municipal Manager	IDP, PMS Manager: Mrs. P. Bhengu

Table 67: Third Tier Administrative Structure

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes/ No)
Constitution Schedule , Part 6 Functions:	
Air pollution	No
Building Regulations	Yes
Child Care facilities	No
Electricity and gas reticulation	No
Fire fighting services	Yes
Local tourism	Yes
Municipal Airports	No
Municipal Planning	Yes
Municipal Health Services	No
Municipal Public Transport	No
Municipal Public works in respect of the needs of Municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this constitution or any other law	No
Pontoons, ferries, jetties, piers and harbours excluding the regulation of international and national shipping and meters related thereto	No
Storm water management systems in built up areas	No
Trading Regulations	No
Water and Sanitation services limited to potable water supply and domestic, waste water and sewage disposal systems	No
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	No
Cemeteries, funeral parlours and crematoria	No
Cleansing	No
Control of Public Nuisances	No
Control of undertakings that sell liquor to the public	No
Facilities for the accommodation, care and burial of animals	No
Fencing and Fences	No
Licensing of Dogs	No
Licensing and control of undertakings that sell food to the public	No
Local amenities	No
Local Sports Facilities	No
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	No
Municipal roads	No
Noise Pollution	No
Pounds	No
Public places	No
Refuse removal, refuse dumps and solid waste disposal	No
Street trading	No
Street lighting	No
Traffic and Parking	No

Table 68: Functions of Municipality / Entity

APPENDIX E – WARD REPORTING

Ward name (number)	Name of ward councillor and elected ward committee members	Committee established (yes/no)	Number of monthly committee meetings held during the year 2013/14	Is the ward committee functional?	Number of quarterly public ward meetings held during the year						
01	Councillor L.L. Kweyama	Yes	10	Yes							
02	Councillor P. Dlamini	Yes	10	Yes							
03	Councillor A.B. Ndlovu	Yes	7	Yes							
04	Councillor F.B. Shezi	Yes	12	Yes							
05	Councillor M.A. Ntombela	Yes	6	Yes							
06	Councillor B.C. Mngadi	Yes	12	Yes							
07	Councillor Z. Hlongwa	Yes	12	Yes							
08	Councillor G.Z. Jwara	Yes	8	Yes							
09	Councillor M.C. Ngcobo	Yes	12	Yes							
10	Councillor M.D. Ncwane (EXCO)	Yes	12	Yes							
WARD NUMBER		1	2	3	4	5	6	7	8	9	10
2014											
	June				X	X	X	X		X	X
	May	X	X	X	X		X	X	X	X	X
	April	X			X		X	X		X	X
	March	X	X		X	X	X	X	X	X	X
	Feb	X	X	X	X	X	X	X	X	X	X
	Jan	X	X	X	X	X	X	X	X	X	X
2013	Dec	X	X	X	X	X	X	X	X	X	X
	Nov	X	X		X		X	X	X	X	X
	Oct	X	X		X	X	X	X	X	X	X
	Sept	X	X	X	X		X	X	X	X	X
	Aug		X	X	X		X	X		X	X
	July	X	X	X	X		X	X		X	X

Table 69: Functionality of Ward Committees

APPENDIX F – WARD INFORMATION

No.	Project Name and Detail	Total Value	Ward
A -	Mistake farm access road	R 4 453 371	
B -	Dumayo Hall	R 1 601 691	
C -	Design of skills centre	R 4 209 055	
D -	Ngwadini sportfield	R 4 589 867	
E -	Mfume sportfield	R 5 274 325	

Table 70: Capital Projects

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with Minimum Service Delivery	N/a – function not done by the Local Municipality	N/a – function not done by the Local Municipality	N/a – function not done by the Local Municipality	N/a – function not done by the Local Municipality	N/a – function not done by the Local Municipality

Table 71: Basic Service Provision

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2013/2014

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2013/2014	Recommendations adopted (enter Yes) If not adopted (provide explanation)

Table 72: Recommendations of the Municipal Audit Committee

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Detailed below are the largest 20 contracts of the municipality. The majority of the large value contracts relates to capital projects funded from conditional grants. There are no public private partnerships.

Long Term Contracts (20 Largest Contracts Entered into during 2013/2014)						
	Name of Service Provider	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
1	Mjazi Consulting Engineers	Electrification	12/11/2013	Under construction	Technical Services	5 000 000
2	Dibajwe Construction CC	Construction of Mfume Sportsfield	15/7/2013	4 months	Technical Services	4 756 848
3	Superfacta Trading/Tributary 426 CC	Construction of Ngwadini Sportsfield	19/7/2013	4 months	Technical Services	4 619 677
4	Amavovo Civils	Construction of Mistake Farm	15/7/2013	4 months	Technical Services	4 252 557
5	Morning Dew Trading	Construction of Skills Centre	15/7/2013	5 months	Technical Services	3 687 272
6	Pat Fencing Gate and Burglar Guards	Construction of Dumayo Hall	15/7/2013	4 months	Technical Services	2 491 819
7	Ngcolosi Consulting Engineers	Consultant for Mfume Sportsfield	24/4/2013	12 months	Technical Services	800 575
8	Impande Engineers	Consultant for Ngwadini Sportsfield	19/2/2013	12 months	Technical Services	779 268
9	Siqu Consulting	Consultant for Mistake Farm	27/2/2013	12 months	Technical Services	595 357
10	Masakhekulunge Project Managers	Consultant for Skills Centre	25/2/2013	12 months	Technical Services	623 764
11	Masakhekulunge Project Managers	Consultant for Dumayo Hall	15/7/2013	4 months	Technical Services	399 000
12	B.P. and M. Construction	Repairs to Thandolwethu Causeway Bridge	22/7/2013	Emergency repairs	Technical Services	374 955
13	Inkonyane Construction	Repairs to Mngadi Causeway and Thafeni Access Road	22/7/2013	Emergency repairs	Technical Services	671 000
14	Kuthele Logistic	Repairs to Bhubhe Causeway and Mahlabathini	22/7/2013	Emergency repairs	Technical Services	673 512
15	Ubuchopho Trading Enterprises	Repairs to Golovane Causeway Bridge	22/7/2013	Emergency repairs	Technical Services	325 500
16	Sayoni Business Enterprise cc Construction	Repairs to Fakazi School Road and Clinic Road	22/7/2013	Emergency repairs	Technical Services	411 786
17	Iyanda Trading Enterprise cc Construction	Repairs to Ehlanzeni Road	22/7/2013	Emergency repairs	Technical Services	382 265
18	KPMG	Valuation of Assets			Finance	422 559
19	Access to Capital Consulting	Vat Audit Review Services	01/03/2013	01/03/2015	TS Khwela	Based on commission
20	Sanitech	Cleaning & maintenance of toilets	15/04/2013	14/04/2015	Z Majola	R 104 022

Table 73: Long term contracts

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality does not have any municipal entities.

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2013/2014		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	W T Dube	1. Kusabalele [100% ownership]
		2. Taxis [100% ownership]
Member of Mayoral Committee / EXCO	All members	Nil
Councillor	L L Kweyama	Nil
	M C Ngcobo	Nil
Municipal Manager	M H Zulu	Shares in Telkom, Sasol, MTN
		Wavelengths 1203 cc
Chief Financial Officer	TS Kwhela	Nil
Deputy MM and Executive Directors		Nil
Other S57 Officials		
Corporate Services Director	Z Majola	Nil
Technical Director	G S Mkhize	Nil

Table 74: Disclosures of Financial Interests

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
Vote Description	2012/2013	Current: 2013/2014			2013/2014 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjust ments Budget
Municipal Property Rates	1 882 309	2 243 890	2 243 890	2 236 507	(0.3%)	(0.3%)
Rental Income	163 282	227 591	227 591	260 000	12%	12%
Rental Income - MTN/BTO	33 906					
Sundry Income / BTO	1 883					
Hall Hire/BTO	2 895					
Sale of Tender Documents/BTO	21 623					
Rates Clearance Certificate/BTO	351					
Other income-recoverable/BTO	282 218	1 203 410	4 390 410	135 840	(786%)	(3132%)
Gain on disposal of PPE/BTO)	157 682					
Interest receivable/BTO	305 882	300 000	650 000	856 364	65%	24%
Interest received Cheque Account/BTO	176 144					
Total Revenue by Vote	3 028 175	3 974 891	7 511 891	3 488 711	(14%)	(81%)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						

Table 75: Revenue Collection: Performance by Vote

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
Vote Description	2012/2013	Current: 2013/2014			2013/2014 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Property rates	1 882 309	2 243 890	2 243 890	2 236 507	(0.3%)	(0.3%)
Rentals of facilities and equipment	197 188	227 591	227 591	260 000	12%	12%
Interest earned - external investments	305 882	300 000	650 000	856 364	65%	24%
Transfers recognised - operational	35 481 000	41 553 000	41 553 000	34 172 000	(22%)	(22%)
Other revenue - Other Income	308 970	1 203 410	4 390 410	135 840	(786%)	(3132%)
Total Revenue (excluding capital transfers and contributions)	38 333 031	45 527 891	49 064 891	37 660 771	(21%)	(30%)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						

Table 77: Revenue Collection Performance by Source

APPENDIX L: CONDITIONAL GRANTS RECEIVED:

APPENDIX L (i): CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustment s Budget
Neighbourhood Development	-				
Other Specify:	-				
MSIG	890 000	890 000	890 000	-	-
FMG	1 650 000	1 650 000	1 650 000	-	-
MIG	16 959 000	16 959 000	16 959 000	-	-
INEG	5 000 000	5 000 000	5 000 000	-	-
Total	24 499 000	24 499 000	24 499 000		

Table 78: Conditional Grants: excluding MIG

APPENDIX L (ii): OTHER : CONDITIONAL GRANT RECEIVED BUT NOT GAZETTED CONDITIONAL GRANTS EXCLUDING MIG:

No other grants were received

Details	Budget	Adjustments Budget	Actual	Variance Details	
				Budget	Adjustments Budget
LGSeta Grant	-	-			
Disaster Management	-				

Table 79: Appendix: Conditional Grant Received but not Gazetted

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	2012/2013	Current: 2013/2014			Planned		
	Actual	Original	Ad	Actual	FY +1	FY +2	FY +3
<u>Capital expenditure by Asset</u>							
Infrastructure - Total	16729593						
Infrastructure: Road transport	16652811						
Roads, Pavements & Bridges	16652811				5,857,000	2,815,000	
Storm water	0						
Infrastructure: Electricity -	76782						
Generation							
Transmission & Reticulation	76782	5,000,000		3,332,822	5,000,000	9,000,000	9,000,000
Street Lighting	0						
Heritage assets - Total	0						
Buildings	0						
Other	0						
Investment properties - Total	0						
Housing development	0						
Other	0					1,200,000	18,394,000
Other assets	0	8,730,000		8,730,000	8,543,000	11,251,000	
General vehicles	167989						
Specialised vehicles	0						
Plant & equipment	121506	250,000		250,000			
Computers -	105413				233,000		
Furniture and other office	10429	20,000		20,000	100,000		
Other Buildings	0	6,706,000		6,706,000	3,000,000	2,200,000	
Other Land	0						
Surplus Assets - (Investment or	0						
Other	3060586						
Computers - software &	0						
Other (list sub-class)	0						
Total Capital Expenditure on	20195516	20,719,730		19,052,552	22,733,000	26,466,000	27,394,000

Note: Information for this table may be sourced from MBRR (2009: Table SA34a)

Table 80: Capital Expenditure: New Assets Programme

APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Capital Expenditure - Upgrade/Renewal Programme							
Description	2012/2013	Current: 2013/2014			Planned Capital expenditure		
	Actual	Original Budget	Adjusted Budget	Actual Expenditure	FY +1	FY +2	FY +3
<u>Capital expenditure by Asset Class</u>							
Infrastructure - Total	16 729 593	5,000,000	5,000,000	3,332,822	10 857 000	11 815 000	9 000 000
Infrastructure: Road transport - Total	16 652 811				5 857 000	2 815 000	
Roads, Pavements & Bridges	16 652 811				5 857 000	2 815 000	

Table 81: Capital Expenditure – Upgrade / Renewal Programme

APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2013/2014

Capital Programme by Project: 2013/2014					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Water	Nil	Nil	Nil	Nil	Nil
Sanitation/Sewerage	Nil	Nil	Nil	Nil	Nil
Electricity	5 000 000		3 332 822	Nil	1 667 178
Housing	Nil	Nil	Nil	Nil	Nil
Refuse removal	Nil	Nil	Nil	Nil	Nil
Stormwater	Nil	Nil	Nil	Nil	Nil
Economic development	Nil	Nil	Nil	Nil	Nil
Sports, Arts & Culture	7 505 000	Nil	7 505 000	Nil	Nil
Environment	Nil	Nil	Nil	Nil	Nil
Health	Nil	Nil	Nil	Nil	Nil
Safety and Security	Nil	Nil	Nil	Nil	Nil
ICT and Other	Nil	Nil	Nil	Nil	Nil
Roads	Nil	Nil	Nil	Nil	Nil

Table 82: Capital Programme by Project 2013/2014

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2013/2014

Capital Programme by Project by Ward: 2012/2013		
Capital Project	Ward(s) affected	Works completed (Yes/No)
Water	Nil	
Sanitation/Sewerage	Nil	
Electricity	Nil	
Housing	Nil	
Refuse removal	Nil	
Stormwater	Nil	
Economic development	Nil	
Sports, Arts & Culture	Nil	
Environment	Nil	
Health	Nil	
Safety and Security	Nil	
ICT and Other	Nil	
Roads		No

Table 83: Capital Programme by Project 2013/2014

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)	n/a	n/a	n/a	n/a
Clinics (NAMES, LOCATIONS)	n/a	n/a	n/a	n/a

Table 84: Service Backlogs: Schools and Clinics

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	n/a	n/a
Housing:	n/a	n/a
Licencing and Testing Centre:	n/a	n/a
Reservoirs	n/a	n/a
Schools (Primary and High):	n/a	n/a
Sports Fields:	n/a	n/a

Table 85: Service Backlogs Experienced by the Community

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of loans and grants made by the municipality				
All organisations or persons in receipt of loans/ grants provided by the municipality	Scale of backlogs	Nature of project	Value 2013/2014	Total amount committed over previous and future years
Not Applicable, no loans or grants made				

Table 86: Declaration of Loans and Grants

APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome / Output	Progress to date	Number or percentage Achieved
Basic Service Delivery	Refer to Chapter 3 – Service Delivery Performance Report	57%
Local Economic Development	Refer to Chapter 3 – Service Delivery Performance Report	56%
Good Governance & Public Participation	Refer to Chapter 3 – Service Delivery Performance Report	76%
Institutional Transformation	Refer to Chapter 3 – Service Delivery Performance Report	87%
Financial Management & Viability	Refer to Chapter 3 – Service Delivery Performance Report	94%

Table 87: National and Provincial Outcomes for Local Government

APPENDIX T – REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON VULAMEHLO MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Vulamehlo Municipality set out on pages ... to ..., which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement, the statement of comparison of budget information with actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.



Basis for qualified opinion

Capital commitments

6. The municipality did not recognise other disclosures relating to unrecognised contractual commitments in accordance with GRAP 1 *Presentation of financial statements*. The municipality disclosed capital commitments that were not based on contractual obligations. Consequently, capital commitments were overstated by R4,98 million (2013: R11, 09 million).

Qualified opinion

7. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Vulamehlo Municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

9. As disclosed in 32 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 2013/14 in the financial statements of the Vulamehlo Municipality at, and for the year ended, 30 June 2013.

Additional matters-

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.



Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities or objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
 - Development priority 1: Basic service delivery and infrastructure development on pages x to x
 - Development priority 5 : Governance and public participation on pages x to x
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the selected development priorities are as follows:

Basic service delivery and infrastructure development

Reliability of reported performance information

Validity and accuracy

19. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of monitoring of the completeness of source documentation in support of actual achievements and frequent review of the validity of reported achievements against source documentation.

Good governance and public participation

Reliability of reported performance information

Validity, accuracy and completeness

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual



achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 72% of the targets to assess the validity, accuracy and completeness of the reported performance information. This was due to limitations placed on the scope of my work by the auditee

Additional matters

21. I draw attention to the following matters:

Achievement of planned targets

22. Refer to the annual performance report on pages x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priorities reported in paragraphs 19-20 of this report.

Unaudited supplementary information

23. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

24. I performed procedures to obtain evidence that the municipality had complied with the applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements and supporting records not provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

26. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by Supply Chain Management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

27. Quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1) (f) of Preferential Procurement Policy Framework Act 2013 (Act No. 50 of 2000) (PPPF).

28. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) & (c).

Expenditure management

29. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.



30. Payments were made without the approval of the accounting officer or a properly authorised official as required by section 11(1) of the MFMA.

Internal control

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and non-compliance with legislation included in this report.

Leadership

32. The leadership did not adequately exercise oversight responsibility over the annual financial statements, annual performance report and compliance with legislation.

Financial and performance management

33. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial, performance and compliance reporting. The management did not ensure that regular, accurate and complete financial and performance reports were prepared.
34. Management did not implement controls over the preparation, review and reconciliation of the financial statements and the annual performance report to prevent material misstatements.

OTHER REPORT

Investigation

35. The investigation on projects funded by municipal infrastructure grant was conducted by Provincial Treasury. The investigation was initiated during the 2012/13 financial year and was concluded during the current financial period.

Pietermaritzburg

30 November 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

APPENDIX U – AUDIT ACTION PLAN

The table below summarises the audit findings and the action plans to address these issues.

Finding	Internal control deficiency	Responsible official	Proposed remedy to internal control deficiency	Timeframe
1. Overstatement of capital commitments	The CFO has not ensured proper record keeping of a contracts register and expenditure incurred for contracts. The financial statements and commitments schedule were not adequately to ensure that all commitments have been included in the financial statements.	CFO	To review the commitments schedules for the years ended 2013, 2014 and 2015 to ensure that all commitments are accurately included in the schedules.	28 February 2015
2. Payments not approved by delegated officials	The Accounting officer did not exercise oversight responsibility regarding financial reporting and compliance. The Accounting officer did not take adequate steps to develop the delegations of authority which results in irregular expenditure.	HOD-CORP	After the establishment and migration of staff to the BTO structure, delegations will then be prepared and submitted to council for approval.	31 March 2015
3. SCM processes not followed: Disaster management	The Accounting officer did not exercise oversight responsibilities over compliance with SCM laws and regulations which could result in irregular expenditure.	CFO	This will be disclosed in the Interim AFS as irregular due to SCM deviation and also be submitted to Council for condonement. We shall always make clear distinction between emergency and non-emergency procurements of goods and services.	28 February 2015
4. SCM: Award not made to the bidder with the highest number of points	The CFO did not implement controls to dictate irregular expenditure before it is incurred and there are no controls to ensure that all irregular expenditure that has been incurred is disclosed on the AFS.	CFO	We will ensure that we do not evaluate a bid who quoted below acceptable estimate.	Immediately
5. Limitation - Three quotations not obtained	The CFO did not ensure that financial statements and supporting schedules are adequately reviewed prior to being provided for audit.	CFO	We have started implementing a 5 day delay for order requisition to enable SCM unit to obtain three quotes. We are strictly discouraging poor planning. Minor deviations will be disclosed separately in the interim AFS.	28 February 2015
6. Information disclosed on the APR is not	The Accounting officer did not adequately review the annual performance report to ensure that	PMS MANAG	POE fills will be kept in the PMS unit offices for auditing purposes, in order to enable verification of reported	January 2015

Finding	Internal control deficiency	Responsible official	Proposed remedy to internal control deficiency	Timeframe
verifiable – Basic service delivery	reported performance is valid, accurate and complete.	ER	information. Reported information will not be accepted and reported as final without POE file.	
7. Information disclosed on the APR is not verifiable – Good governance and public participation.	The Accounting officer did not adequately review the annual performance report to ensure that reported performance is valid, accurate and complete.	PMS MANAGER	POE fills will be kept in the PMS unit offices for auditing purposes, in order to enable verification of reported information. Reported information will not be accepted and reported as final without POE file.	January 2015
8. Limitation of scope - grant testing of disclaimed items	The CFO did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support possible obligations. Failure to provide the requested information will result in a limitation of scope.	PMS	Copies of grant memorandum of agreement will be requested from relevant departments.	28 February 2015
9. APOO: Measures to improve performance not supported	The Accounting officer did not exercise oversight responsibility regarding performance reporting and compliance with the MSA to ensure that valid supporting documentation is provided for measures to improve performance. The accounting officer did not ensure that the annual performance report is supported by valid and appropriate documentation.	PMS MANAGER	Measures to improve performance were stated but supporting recommendation was not made, going forward the municipality will take ensure that all non – achieved KPIs will be supported	30 June 2015
10. Target not well defined and measurable	The Performance manager did not ensure that performance indicators are well defined and easily understood.	PMS MANAGER	The municipality will ensure that the PMS is aligned to the SMART principle in the upcoming financial year.	30 June 2015
11. Inconsistencies between planned and reported performance	The Accounting officer did not adequately review the annual performance report to ensure that there is consistency on planned and reported indicators, targets and measures.	PMS MANAGER	The municipality will ensure that the PMS is aligned to the SMART principle in the upcoming, to enable consistency in reporting for the financial year.	30 June 2015
12. Payments not made within 30 days	The CFO did not review and monitor compliance with section 65(2) of the MFMA to ensure that invoices are paid within 30 days.	CFO	We will adhere to 10 working day payment cycle to pay invoices, however where there is a query on the invoice it will be referred back to the relevant department and supplier to rectify. A	Ongoing

Finding	Internal control deficiency	Responsible official	Proposed remedy to internal control deficiency	Timeframe
			record will be maintained of the query and the time taken by the department and supplier to rectify the query.	
13. SCM: Quotation not advertised for a prescribed period.	The Accounting officer did not exercise oversight responsibility over compliance with SCM laws and regulations.	CFO	The deviation form for advertising it over 3 days instead of 7 days was approved by Municipal manager and five quotations were received. It will also be included in the schedule of irregular expenditure on the Interim AFS as advised.	28 February 2015
14. Investment property classified as PPE	The CFO did not adequately review the financial statements and fixed asset register to ensure that assets are correctly classified.	CFO	In the interim AFS post office will be classified as investment property. The accounting policy will be amended to determine whether fair value or cost model should be used.	28 February 2015
15. No lease agreements in place	The Accounting officer did not implement contract management controls to ensure that there are agreements in place with lessee, which could result in lessees occupying premises without paying rent.	HOD-CORP	We will ensure that we make lease contracts available during the auditing of interim Financial Statements.	30 March 2015
16. Back-ups not stored off-site	The accounting officer did not exercise oversight responsibility over the IT controls which may result in the municipality not being able to recover its data in an event of disaster.	HOD-CORP	At the moment we will use tape to store the information. After which it is stored at Umdoni Municipality (as offsite storage).	30 June 2015
17. Invoices do not include both supplier and customer VAT number	The CFO did not exercise oversight responsibility over compliance with the VAT Act.	CFO	Orders and awards letters issued will always have note alerting supplier of vat requirements of a valid claim/invoice. Every invoice will have to be scrutinized by dedicated official and those found not compliant with vat requirements will be returned back to the supplier to correct before it is captured on system for payment.	Immediately
18. Invoices do not include both supplier and customer VAT number	The CFO did not exercise oversight responsibility over compliance with the VAT Act.	CFO	Orders and awards letters issued will always have note alerting supplier of vat requirements of a valid claim/invoice. Every invoice will have to be scrutinized by dedicated official and those found not compliant with vat requirements will be returned back to the supplier to correct	Immediately

Finding	Internal control deficiency	Responsible official	Proposed remedy to internal control deficiency	Timeframe
			before it is captured on system for payment.	
19. Contract register not complete	The contract register / commitment schedule was not adequately reviewed to ensure that all capital commitments of the municipality have been recorded.	CFO	Contract register will be reconciled to capital commitments schedule for interim AFS. Contracts and commitments register will always be submitted to Finance Portfolio Committee monthly meetings.	28 February 2015
20. Council assessment of the effectiveness of the audit committee not prepared.	The Accounting officer did not adequately exercise oversight to ensure compliance with laws and regulations.	INTERNAL AUDIT MANAGER	The effectiveness of audit committee will be assessed.	30 March 2015

Table 88: Audit Action Plan

APPENDIX U – AUDIT COMMITTEE REPORT



Ugu District Municipality

UGU SHARED SERVICES EXTERNAL AUDIT COMMITTEE

(Established in terms of Section 166 of the Municipal Finance Management Act)

C/O SUITE NO. 5, UVONGO SQUARE, FOSTER STREET, UVONGO

E-MAIL: chantele@girdelliott.co.za; info@l-inc.co.za; paul@prestonlaw.co.za

UGU SHARED AUDIT SERVICES COMMITTEE
28 CONNOR STREET,
PO BOX 33, PORTSHEPSTONE
0396885700

VULAMEHLO LOCAL MUNICIPALITY
REPORT OF THE CHAIRPERSON: 2014
AUDIT & PERFORMANCE AUDIT COMMITTEE
EXTERNAL AUDIT SHARED SERVICES

Members of the Audit Committee:

Mr. Paul Preston	–	Chairperson
Mrs. Chantel Elliott	–	Member
Mr. Imraan Lockhat	–	Member

Audit Committee meetings took place on the following dates:

26 September 2013
4 October 2013
9 December 2013
11 March 2014
29 April 2014
19 May 2014
17 June 2014

Performance Audit Committee meetings took place on the following dates:

12 November 2013
21 February 2014

Evaluation of Section 56 and 57 Managers Performance meetings took place on the following dates:

28 October 2013
11 December 2013

1. INTRODUCTION

In terms of section 62(1)(c) of the Municipal Finance Management Act (MFMA), No.56 of 2003, the Municipal Manager is the Accounting Officer and is responsible for managing the financial administration of the municipality. The Audit Committee is appointed in terms of Municipal Legislation, to assist and to advise the Mayor, Speaker and Municipal Manager of the Municipality. It is afforded wide powers and obligations in terms of Section 166 of the Municipal Finance Management Act. This report documents the activities of the Audit Committee sitting, as a shared service for the Vulamehlo Local Municipality for the 2013/2014 financial year.

2. MEMBERS AND MEETINGS OF THE AUDIT COMMITTEE

In terms of the MFMA and the Vulamehlo Local Municipality's Audit Committee Charters, the Audit Committee as at the 30 June 2014, included three external independent members. None of the members were Councillors. The

1 MEMBERS:

membership composition of the Audit Committee does not include the Municipal Manager. The Audit Committee included the members listed above and meets at least four (4) times per annum as per its approved Charter and twice (2) a year as a Performance Audit Committee and did so, for the year, to discharge its responsibilities.

Meetings of a more informal nature with the Mayor/Speaker/Chairperson of MPAC and Senior Councillors took place from time to time. These meetings included ongoing assessment of statutory compliance, the Auditor General's interim reports, risk in respect of the Municipality and considered the Municipality's financial position. The Chairperson also tabled quarterly reports at Exco, which were thoroughly interrogated.

The Audit Committee also sat as a Performance Audit Committee for performance audits in respect of Section 40, 41, 43 and 46 of the Municipal Systems Act (MSA).

The year has been characterised by the increasing prominence of the Auditor General (A.G.) Dashboard Report. The A.G. has visited the Municipality regularly and interacted purposefully with it. The A.G. produces a Quarterly Dashboard Report which has become a most useful tool in evaluating the performance and predicted performance of the Vulamehlo Local Municipality. If an Audit Committee member is invited to attend the report back meetings with the A.G., this function is shared amongst the three members of the Audit Committee.

Audit Committee members carefully reviewed and approved draft meeting minutes of its own meetings during the year to ensure they captured the essence of issues and discussion. Committee members met with another and exchanged e-mails with the Manager: Internal Audit, the Municipal Manager and the Committee Chairperson between meetings if issues or concerns arose. An atmosphere of respect exists between the Audit Committee and Municipal Management while maintaining a spirit of healthy scepticism and independence.

3. AUDIT COMMITTEE'S RESPONSIBILITIES AND FINDINGS

In discharging its responsibilities for the year ended 30 June 2014 the Audit Committee completed the following:-

3.1 Audit Committee Meetings

- Reviewed the quality of the financial information, financial statements and other statutory/public and regulatory reporting was tabled before the Audit Committee;
- Reviewed the draft annual financial statements and the draft Performance Audit information prior to submission to Council and to the Auditor-General and made prior recommendations on enhancing the quality of compliance and disclosure;
- Reviewed the draft annual financial statements and performance information to ensure they present a balanced credible and understandable assessment of the position, performance and prospects of the Municipality;
- Reviewed the Auditor General's proposed audit report and management letter in relation to the year ended June 2014;
- Discussed problems and reservations arising from the audit, and any matters the A.G. wished to discuss;
- Reviewed the management response with regard to the corrective action to be undertaken in response to significant internal audit findings;
- Identified key matters arising in the prior year's management letter and satisfied itself that they were being properly followed up;
- Reviewed and recommended the Internal Audit Plan and Audit Committee Charters.
- Dealt at every Audit Committee meeting with the required corrective action in terms of the A.G.'s Management Report;

- Dealt with Risk;
- Dealt with the Asset Register and Property Plant and Equipment generally;
- Dealt with Revenue Management at every meeting;
- Dealt at every meeting with Statutory compliances.

3.2 Performance Management

The Audit Committee, sitting as a Performance Audit Committee, considered matters relating to performance management in order to discharge the responsibilities prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

These responsibilities included:

- A review of the quarterly reports required to be submitted by internal audit.
- Planning and Performance Management Regulations.
- Reviewed the performance management system and testing the functionality thereof and compliance with the Municipal Systems Act and the MFMA and in conjunction with the SDBIP (Service Delivery Budget Implementation Plan).
- Focussed on the economy, effectiveness, efficiency, reliability and impact applicable to the Municipality's own key performance indicators.
- Considered the application of Sections 40, 41, 43 and 46 of the MSA, with reference to the Municipalities' I.D.P. and the shortcomings of the Municipality in this regard and reviewed these, prior to submission to the Council and the Auditor General.
- Established that there has been a commitment by the Municipality to comply with Sections 40, 41, 43 and 46 of the Local Government: Municipal Systems Act. Previously the reporting in respect of the Integrated Development Plan ("IDP") had been found to be inconsistent with the objectives, indicators and targets in the approved annual performance plan, but this has improved.
- Service delivery is calibrated and can be evaluated by using the PMS system. A competent PMS officer has been appointed, and quarterly reviews are taking place, checking alignment with KPA's, SDBIP and the I.D.P.
- This is the essence of good governance and represents proper compliance with Section 195 of the Constitution of South Africa.

3.3 Revenue

3.3.1 The position with the cash flow is of some concern. The Municipality is almost completely dependent on Equitable Share and MIG grants. There is an improvement in the under-recovery in respect of rates which is an area of risk.

3.3.1.1 Overtime was discussed, as it is noted that the Municipal Manager has made it his business to put as many checks, balances and controls as possible in place in order to limit and curtail the abuse of overtime.

3.3.1.2 Issues raised by the CFO in the office of the CFO have received Audit Committee attention.

3.4 Internal Control and Internal Audit

The External Audit Committee is responsible for monitoring and advising in respect of the effective functioning of the Internal Audit activity. Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer. The Audit Committee:-

- has direct access to Internal Audit through a reporting relationship with Internal Audit thus supporting its independence from management.

- via the Chairperson has conducted regular private telephone calls and exchanged e-mails, and meetings with the Manager of Internal audit to allow for frank discussion of issues and concerns.
- evaluated the performance of internal audit by consideration of the relevant Internal Audit Plan and the independence and effectiveness of the internal auditors.
- understands the scope of internal and external auditor's review of internal control over financial reporting, and obtained reports on significant findings and recommendations, together with management's responses.
- evaluated controls over the overall operational and financial reporting environment and reviewed the effectiveness of the internal controls.
- assessed the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources.
- reviewed the adequacy and frequency of corrective action taken in response to significant Auditor General's findings raised in the prior year.
- reviewed and approved the Internal Audit Charter, Internal Audit Plans and Internal Audit's conclusions with regard to internal control.
- frequently discussed matters with respect to risk assessment and asset management.
- discussed Property Plant and Equipment.
- discussed compliance with VAT.

3.5 Compliance and Ethics

From a review of various reports and discussions held at Audit Committee meetings the Audit Committee noted that a Fraud Prevention Strategy was in place and a code of conduct for municipal staff in terms of the Municipal Systems Act was applied by the municipality. Declarations of interest in respect of risk posed by attempts to bypass the Supply Chain Management process have been requested by the Audit Committee and those should be obtained by all persons contracting with the Municipality.

Declarations have been requested to be placed on file in respect of all persons contracting with the Municipality, stating on oath that they are not in the employ of the State.

The Audit Committee is satisfied that it has complied with its responsibilities. It has reviewed the effectiveness of mechanisms for the identification and reporting of compliance with laws as set out in the pre-determined Internal Audit Plan and regulations; and the findings of regulatory bodies or audit observations. It is requesting compliance with declarations by service providers. It must be stated, however, that fraud is very difficult to detect at every level.

3.6 Section 71 (of the MFMA) Management Report

This is required at each Audit Committee meeting from the Chief Financial Officer. It is most helpful in providing a contemporaneous indication of the financial health and state of the Municipality at any given time. The Audit Committee agrees that monthly section 71 Management reports also be submitted to the Counsel during the year.

3.7 The Consideration of the Auditor General's Report

The Auditor General has tabled its Final Management Report and Audit Finding in respect of the year under review. The AG expressed an opinion that the approach and corrective action in respect of the challenges at Vulamehlo has improved and therefore was then able to regard the information provided by the Municipality in respect of revenue, and with regard to Performance as credible, which formed the basis of its Audit Report. The Quarterly Dashboard Report proved to be a useful tool. Consequently, the Municipality received a qualified Audit finding which represents significant progress in the year under review.

3.8 In-year reports submitted in terms of the MFMA

The quarterly performance management reports, the budget and SDBIP, Internal Audit reports and the Annual Performance Reports have been called for by the Audit Committee. The Audit Committee reviewed these reports and was generally satisfied with the content and quality of these reports prepared in respect of performance management and issued on behalf of the Accounting Officer. The management during the year under review and the minutes of the External Audit Committee reflects this. It remains an area of concern however.

3.9 Internal and External Audit Function

During the year under review, an audit plan was prepared based on the Annual Risk Assessment. The following is a list of areas of concerns which required Internal Audit and Management's high levels of attention:

- Ethics
- Asset Management Review
- Bi-annual reviews of Performance Management
- Cash Flow Management Review
- Financial Discipline Review
- Overtime
- Rates Revenue
- Fleet Management
- Audit Committee Review
- Follow Up Review: Revenue Management
- Information Technology General Controls Review
- Supply Chain Management Discipline Review
- Corrective Action Plans: A-G Management Report & Audit Reports
- Section 36 and 17(1)(c) of Supply Chain Management Regulations
- Annual Financial Statements
- Fraud Prevention
- Statutory Compliance
- Risk
- Performance Management
- The Internal Audit Plan
- VAT
- Property, Plant and Equipment

An annual assessment of the Internal Audit Function had been completed the Audit Committee. The External Audit Committee is satisfied with the performance of the Internal Audit function and reports that all projects in terms of the approved risk based annual audit plan had been adequately provided to the Audit Committee as required by Law. The plan comprising of the approved projects for the Financial Year 2014 to 2015 and it's status of attention is reported upon in the Internal Audit Report within the Annual Report under the auspices of the Office of the Municipal Manager.

The A.G. has stated in its Management Letter that internal and external audit functions at the Municipality are conducted well.

4. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed the credibility of the draft annual financial statements and the Municipalities Performance Management for the year ended 30 June 2014 prior to same being submitted to the Auditor General on the 31 August 2014. The Committee reviewed the accounting policies and practices and evaluated the draft annual financial statements based on the information provided to the Committee and considered the integrity of the said statements complying in all material respects with the requirements of the MFMA and Treasury Regulations as well as the statements of Generally Recognised Accounting Practice (GRAP).

The Committee will also, in the following financial year review and interrogate the A.G.'s audited financial statements together with the report of the Auditor General and the related management letter and Audit finding with management responses and the required corrective action. It will continue to provide the Municipal Council and Political Leadership with an authoritative and credible view of the financial position of the Municipality, its efficiency and effectiveness on overall compliance with the MFMA and any other applicable legislation and formally notes the moderately improved state of the Municipalities' Financial Position.

5. RESOLUTIONS

With reference to Treasury Circulars, the Audit Committee Resolved as follows, at its Audit Committee meetings for the year in question:-

1. To deal with necessary Corrective Action in terms of Section 131 of the MFMA at every meeting.
2. To deal with supply chain management shortcomings at every meeting.
3. To formally call for evidence of Performance Management.
4. To follow up with regard to the creation and updating of an asset register.
5. To consider Vulamehlo's viability as a Going Concern at each meeting.
6. To consideration of Section 71 Management Reports.
7. To consider VAT.
8. To consider quarterly alignment with the SDBIP.
9. To confirm the Audit Committee charters any Internal Audit Plans.

6. AUDIT OUTCOME

The A.G. gave the Local Municipality a Qualified Audit which is a pleasing improvement from the previous Disclaimer finding.

7. THE POLITICAL LEADERSHIP

The Political Leadership has interacted purposefully with the Audit Committee. Since the previous Audit Report the Honourable Mayor, the Honourable Deputy Mayor, the Honourable Speaker and Counsellors have interacted at meetings in a concerned and informed manner which has been helpful in fulfilling the functions of the Audit Committee in terms of Section 166 of the MFMA.

8. CONCLUSION

I would like to thank Mr. Lockhat and Mrs. Elliott for making themselves available to serve on this Committee and for the significant contribution that they make in their interrogation of draft financial statements is helpful to all concerned. This has been noted by the A.G. As an Audit Committee, we rely to a great extent on the Manager: Internal Audit and his staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Vulamehlo Local Municipality. There has been ongoing assistance and robust discussion with the Council, specifically the Honourable Speaker, the Honourable Mayor and the Honourable MPAC Chairperson. We are also grateful to the helpful input of the A.G, CoGTA, Treasury, Private Auditors and all other invitees to our meetings, including the external service providers, all of whom provide invaluable information to the Committee and also to Mr. Lindani Dlodla, who as Internal Auditor in a rural Municipality is of great assistance to this Committee.

Mr Paul Preston

Chairperson: Ugu District Municipality
Shared Services Audit Committee
Date: 18 December 2014

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